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17 July 1984

JAPAN REPORT

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ECONOMIC

FIGURES FOR 1984 DEVELOPMENT ASSISTANCE BUDGET REPORTED

Tokyo APIKKU in Japanese Mar 84 pp 8-11

[Text] ODA's Operating Budget Increases 33.8 Percent, Topping the 1-2 Trillion-Yen Mark

ODA General Account Budget and Operating Budget: 80 Percent of the Increase in Operating Budget Is Earmarked for Capital Subscriptions and Contributions to International Organizations.

Our government's fiscal 1984 general account budget for ODA [official development assistance] has for the first time topped the 500-billion-yen mark, reaching the sum of 528.1 billion yen. This is an increase of 9.7 percent over the 481.3 billion yen for the previous year.

Furthermore, as a result of the leveling-off in the general account total expenditure in the vicinity of 50.6 trillion yen, the amount of the ODA budget has exceeded 1 percent of the general account total expenditure. Within the overall budget, wherein a 0.1 percent decline (a decline of 33.8 billion yen) in the general account expenditure is seen over the level of previous year -- the most restrictive budget since fiscal 1955 -- the aforementioned rate of increase in the ODA budget is far greater than the increases in other budgetary items, including the 6.55-percent increase in defense expenditure. It even exceeds the 8.9 percent increase reflected in the ODA budget for the previous fiscal year.

Meanwhile, the operating budget (net base, excluding recovery funds) has risen to 1.2952 trillion yen, or an increase of 33.8 percent over the 967.8 billion yen for the previous year, this is the first time it has topped the 1 trillion-yen mark on a net basis. The rate of increase had been moderate in past years: 5.8 percent in fiscal 1981, 6.0 percent in fiscal 1982, and 2.8 percent in fiscal 1983. Now, in a sharp turnaround, it has marked a substantial increase.

Incidentally, this is the first increase of more than 30 percent since the 31.4-percent increase of 10 years ago -- fiscal 1984. As the operating budget for fiscal 1974 was 431.8 billion yen, this means that the size of the operating budget has just about trippled during these 10 years.

The biggest contributing factor to such a sharp increase in the operating budget -- aside from a large increase in the ODA general account budget, which of course is a factor -- is the 263.9 billion yen earmarked for capital subscriptions and contributions to international development and financial organizations, which is an increase of 207.7 percent [as published] over the 127 billion yen of the previous year. This amount is equivalent to no less than 80 percent of 327.4 billion yen -- the total amount of increase in the operating budget.

Due to the delay in the negotiations concerning capital increase, the yearly total of Japan's capital subscriptions and contributions to international development and financial organizations had continued to decline for 3 consecutive years after it peaked at 209 billion yen in fiscal 1980; in fiscal 1983 it fell to a low of a 60-percent of the fiscal 1980 total. This was the main reason for the sluggish growth of the operating budget. But with the negotiations over the International Development Agency's (IDA, the Second World Bank) seventh capital increase and the Asian Development Bank's (ADB) third general capital increase having reached settlements, the estimated capital subscriptions and contributions to these organizations have been appropriated in the budget, resulting in a sharp increase in the operating budget.

A further point to be noted is that if the capital subscriptions and contributions to international development and financial organizations are excluded, all other aid items included in the operating budget show a combined increase of a 7.6 percent over the previous year.

Summary of Assistance by Type -- Operating Budget Shows a 64-Percent Increase in Grants.

General Account

The bilateral assistance budget, which takes up about 90 percent of the ODA general account budget, has risen to 461.5 billion yen -- a 9.1 percent increase over the previous year.

Broadly the bilateral assistance budget is divided into a grant segment (274.6 billion yen, a 6.7-percent increase over theprevious year) and a loan segment (186.9 billion yen, a 12.7-percent increase over the previous year). It is worth noting that in the loan segment, 180.9 billion yen has been earmarked for items related to the Overseas Economic Cooperation Fund, this amount represents a sharp increase of 13.1 percent over the previous year.

This increase is due to the fact that, in addition to the 160 billion yen (the same amount as the previous year) appropriated by the Ministry of Finance for the Overseas Economic Cooperation Fund, this time the Economic Planning Agency has newly appropriated 20.9 billion yen to be used as subsidy funds to make up for the deficit.

Meanwhile, of the bilateral grant budget, the portion covering gratuitous capital cooperation -- consisting of the Foreign Ministry-appropriated funds for economic development assistance and the Financy Ministry-appropriated funds for KR [Kennedy Round] food assistance and assistance for increased production of food -- has been held down to 159.5 billion yen, which represents an increase of only 4.5 percent over the previous year. Nevertheless, the economic development assistance fund that takes up the bulk of the funds in this category has been increased by 7.6 percent to 106.5 billion yen, topping the 100-billion-yen mark for the first time.

The budget for technological cooperation has been increased by 9.8 percent to 115.1 billion yen, and the portion -- the bulk of the total -- earmarked for the Japan International Cooperation Agency (to be used for ODA technological cooperation only) has been increased by 6.7 percent to 79.5 billion yen.

The multinational assistance portion, on the other hand, has been increased by 14.7 percent to 66.5 billion yen, the bulk of which is earmarked for our country's share and contribution to various UN organizations, 80 percent of the total is a budget to be controlled by the Ministry of Foreign Affairs.

Operating Budget

The operating budget consists of 732.7 billion yen (an increase of 64 percent over the previous year) for grants and 682.8 billion yen (an increase of 10.1 percent over the previous year) for loans. The sharp increase in grants is noteworthy, the biggest contributing factor to this is the 148.5-percent increase (an increase of 269.8 billion yen) over the previous year in capital subscriptions and contributions to international organizations.

In the fiscal 1984 budget, bilateral grants, which constitute the other major item under the grant category and which have maintained a trend of a 10-percent annual increase since fiscal 1977, have been held down to a increase of 6.1 percent -- the first single-digit increase in 8 years -- as a result of the 1-percent decrease from the previous year level in the assistance for increased production of food and of the technological cooperation budget which has been held down to an 8.1 percent increase.

As for the loan segment, the ODA program portion of the overseas economic cooperation funds, which take up the bulk of the loan segment, has been increased 9.2 percent to 648 billion yen.

As a result of the factors noted above, the ratio between the grant segment and the loan segment has shifted from 41.9 percent: 58.1 percent the previous year to 51.8 percent: 48.2 percent on a gross basis to include the reovery funds, and on a net basis from 46.2 percent: 53.8 percent the previous year to 56.6 percent: 43.4 percent. In each instance, the weight of the grant segment has been increased.

The percentage of multinational assistance in the operating budget (net base), which was 18.8 percent in fiscal 1983, has been doubled to 34.9 percent in fiscal 1984 -- far exceeding the 30-percent mark.

Budget Makeup by Government Component -- 90 Percent Taken Up by Ministry of Foreign Affairs and Ministry of Finance.

General Account

Over 90 percent of the ODA general account budget is taken up by two ministries -- Foreign Affairs and Finance. Basically this framework is not changed for Fiscal 1984, either. But the Economic Planning Agency, which has newly earmarked 20.9 billion yen as subsidy money for the Overseas Economic Cooperation Fund, now has a 4-percent share of the budget. This has resulted in a slight decrease in the Finance Ministry share to 41.4 percent (from 44.9 percent the previous year) and in the Foreign Affairs Ministry share to 47.6 percent (from 48.3 percent the previous year).

Operating Budget

As in the case of the general account, 90 percent of the operating budget is taken up by the two ministries -- Finance and Foreign Affairs. But as a result of significant growth -- an increase of 42.5 percent -- in the Finance Ministry portion of the budget, which is responsible for nearly all of the sharply increased capital subscriptions and contributions to international development and financial institutions, the Finance Ministry share of the budget is now 74.5 percent (compared to 69.9 percent the previous year) and the Foreign Ministry share is 20.2 percent (compared to 25.5 percent the previous year).

Foreign Ministry ODA General Account Budget -- Rise of 8.1 Percent to 251.2 Billion Yen.

The Foreign Ministry's ODA general account budget is 251.2 billion yen, which is an increase of 8.1 percent over the previous year. This amount is equivalent to 66.3 percent of the Foreign Ministry's total budget (378.7 billion yen). Three item-categories alone -- gratuitous capital cooperation, subsidy and capital subscription to the Japan International Cooperation Agency, and shares and contributions to international organizations -- amount to 245.2 billion yen, taking up nearly all of the Foreign Ministry's ODA general account.

Specifically, gratuitous capital cooperation (economic development assistance) amounts to 106.5 billion yen, which reprsents an increase of 7.6 percent over the 99 billion yen of the previous year. The breakdown of this is as follows: 93.9 billion yen (an increase of 7.7 billion yen over the previous year) for general grants; 8.3 billion yen (an increase of 0.4 billion yen) for fisheries-related grants; 2.5 billion yen (a decrease of 0.8 billion yen) for disaster-related grants; and 1.8 billion yen (an increase of 0.2 billion yen) for cultural grants.

The ODA portion of the subsidy and capital subscription to the Japan International Cooperation Agency amounts to 81.5 billion yen, an increase of 6.8 percent over the previous year; thetotal amount including the non-ODA portion is 82.4 billion yen -- an increase of 7.0 percent over the previous year. Specifically, with regard to the Youth Overseas Cooperation Corps, a major item among the funding requests, the proposed increase in the number of new members to be dispatched overseas by 150 to a total of 650 has been approved as requested, and the remodeling cost of the Hiroo Training Center has been approved, too. Further, the construction cost for the Okinawa International Center has been approved in about the amount requested. Also, the ASEAN youth invitation program has been approved for 750 invitees during the year.

The shares and contributions to international organizations come to a total of 85 billion yen, 1.3 percent more than the previous year. Of this total, the ODA portion is 57.2 billion yen (an increase of 8.0 percent over the previous year). The principal contributions are: 14.5 billion yen (an increase of 5.0 percent) to the UN Development Program; 11.3 billion yen (a decrease of 1.7 percent) to the Office of the UN High Commissioner for Refugees; and 9.5 billion yen (an increase of 4.9 percent) to the UN Fund for poulation Activities.

[Table 1] Government ODA General Account Budget (Government Draft)

●政府ODA一般会計予算（政府原案） 1)（単位：億円）

	2) 昭和58年度	3) 昭和59年度		
	4) 予算額	5) 政府原案	6) 増減額	7) 伸び率(%)
2国間援助 8)	4,232	4,616	383	9.1
贈与 9)	2,574	2,746	172	6.7
10) 経済開発等援助費	990	1,065	75	7.6
11) KR食糧援助	211	185	△25	△12.1
12) 食糧増産援助	325	345	20	6.2
13) 技術協力	1,048	1,151	103	9.8
14) 国際協力事業団	745	795	50	6.7
その他 15)	303	356	53	17.4
借款 16)	1,659	1,869	211	12.7
海外経済協力基金 17)	1,600	1,809	209	13.1
国際協力事業団 18)	19	20	2	9.7
海外漁業協力財団 19)	40	40	0	0.0
多国間援助 20)	580	665	85	14.7
外務省所管分 21)	509	548	39	7.7
その他 22)	72	118	46	64.5
政府開発援助計 23)	4,813	5,281	468	9.7

(注) 四捨五入のため項目の和と合計が必ずしも一致しない 24)

Key:

1. Unit: in 100 million yen
2. Fiscal 1983
3. Fiscal 1984
4. Amount budgeted
5. Government draft
6. Increase or decrease
7. Percentage of increase
8. Bilateral assistance
9. Grants
10. Economic development aid

11. KR food assistance
12. Aid for increased food production
13. Technological cooperation
14. Japan International Cooperation Agency
15. Other
16. Loans
17. Overseas Economic Cooperation Fund
18. Japan International Cooperation Agency
19. Overseas Fisheries Cooperation Foundation
20. Multinational assistance
21. Portion controlled by Foreign Ministry
22. Other
23. ODA total
24. Note: Totals do not necessarily tally due to rounding off.

[Table 2] Foreign Ministry ODA General Account Budget (Government Draft)

●外務省ODA一般会計予算（政府原案）

1)（単位：億円）

	2)昭和58年度	3)昭和59年度				
	4)予算額	5)要求額	6)伸び率(%)	7)政府原案	8)増減額	6)伸び率(%)
9)外務省予算合計	3,591	3,834	6.8	3,787	195	5.4
10)外務省ODA予算合計	2,324	2,576	10.8	2,512	188	8.1
11)無償資金協力	990	1,070	8.1	1,065	75	7.6
12)国際協力事業団	763	832	9.0	815	52	6.8
13)(非ODA合算)	(770)	(838)	(8.9)	(824)	(54)	(7.0)
国際機関への出資・拠出 14)	529	576	8.8	572	42	8.0
(うち技術協力計上分) 15)	(21)	(24)	(16.5)	(24)	(4)	(16.9)
その他 16)	42	98	135.3	60	19	44.6

(注) 四捨五入のため項目の和と合計が必ずしも一致しない 17)

Key:

1. Unit: in 100 million yen
2. Fiscal 1983
3. Fiscal 1984
4. Amount budgeted
5. Amount requested
6. Percentage of increase
7. Government draft
8. Increase or decrease
9. Foreign Ministry's total budget
10. Foreign Ministry's total ODA budget
11. Gratuitous capital cooperation
12. Japan International Cooperation Agency
13. (Total including the non-ODA portion)
14. Shares and contributions to international organizations

15. (Portion of above earmarked for technological cooperation)
16. Other
17. Note: Totals do not necessarily tally due to rounding off.

ODA Operating Budget Makeup by Source of Revenue -- The Government Bond Share of the Budget Rises to 27.2 Percent.

The ODA operating budget is funded not only from the general account but also from such other sources as the treasury investment and loan fund and government bonds. In the budget makeup by source of revenue, it is worth noting that the weight of government bonds has increased significantly from 11.6 percent the previous years to 27.2 percent this year. This is due to a sharp increase in the capital subscriptions and contributions, nearly all of which are funded by means of government bonds, to international development and financial institutions. The component ratio of the treasury investment and loan fund has pretty much leveled off at 27.2 percent (27.9 percent the previous year); the share of the general account has dropped to 37.3 percent (from 45.1 percent the previous year).

The Ratio of ODA Operating Budget to GNP -- Rising to 0.438 Percent

Since it first crossed the 0.3-percent mark by attaining a 0.317 percent in fiscal 1974, the ratio of the ODA operating budget as a percentage of gross national product (GNP) has continued to remain practically unchanged, but in fiscal 1984 it reached 0.438 percent, which not only greatly exceeded the previous year's 0.344 percent but topped the 0.4 percent mark for the first time. This percentage figure against GNP is, however, based on a comparison with the nominal GNP figure cited in the "Fiscal 1984 Economic Outlook and the Basic Posture for Economic Operation," which is being prepared concurrently with the budget. It is a planning figure; it does not mean that the actual performance will bear it out.

Additionally, when compared with defense costs using the operating budget as the basis, as a result of a far greater increase in the ODA operating budget (33.8 percent) than in the defense budget (6.55 percent), the ratio between the two has shifted from 35:100 the previous year to 44:100 this year; thus, the ratio of the ODA operating budget to the defense budget has reached the highest level ever.

Finally, in view of the apparent confusion in some quarters in understanding the ODA budget and the economic cooperation expenditure, a note of explanation seems warranted.

The so-called ODA budget is a budgetary classification basically corresponding to the ODA concept as defined by the Development Assistance Committee (DAC), a suborgan of the Organization for Economic Cooperation and Development (OECD). By contrast, the so-called economic cooperation expenditure is the sum total of these expenses required for the execution of various policies for economic cooperation as derived from a breakdown

by policy-based outlays (by major expense categories) of the general account expenditure budget; it is a treasury expenditure item unique to our country which goes back to the days prior to the introduction of the concept known as the ODA budget. In short, the target items covered by the economic cooperation expenditure mostly overlap with the ODA budget, but some items are outside the ODA category. Incidentally, earmarked for fiscal 1984 economic cooperation expenditure is 543.9 billion yen, which is an increase of 7.9 percent over the previous year and 15.8 billion yen more than the ODA general account budget of 528.1 billion yen.

[Table 3] ODA Operating Budget Summary Table (Provisional Tabulation)

●ODA事業予算総括表（仮集ら.

1)（単位：億円）

	2)昭和56年度			3)昭和57年度			4)昭和58年度			5)昭和59年度政府原案		
	金額 6)	伸び率 (%) 7)	構成比 (%) 8	金額 6)	伸び率 (%) 7)	構成比 (%) 8	金額 6)	伸び率 (%) 7)	構成比 (%) 8	金額 6)	伸び率 (%) 7)	構成比 (%) 8)
9) 贈与	4,559	5.4	47.3	4,704	3.2	45.8	4,468	△ 5.0	41.9	7,327	64.0	51.8
10) 2国間贈与	2,119	16.3		2,372	11.9		2,650	11.7		2,811	6.1	
11) 経済開発等援助	830	10.7		920	10.8		990	7.6		1,065	7.6	
12) 食糧増産等援助	453	23.8		496	9.6		536	7.9		530	△ 1.0	
13) 技術協力	835	18.5		956	14.4		1,125	17.7		1,216	8.1	
14) その他	1	△ 5.4		0	——		0	——		0	——	
15) 国際機関への出資・拠出	2,440	△ 2.5		2,332	△ 4.4		1,818	△22.1		4,516	148.5	
16) 国連等諸機関	441	7.8		504	13.5		547	8.5		608	11.0	
17) 国際開発金融機関	1,995	△ 4.5		1,828	△ 8.4		1,270	△30.5		3.909	207.7	
18) 借款	5,083	9.4	52.7	5,563	9.4	54.2	6.204	11.5	58.1	6.828	10.1	48.2
19) 海外経済協力基金	4,763	13.4		5,275	10.7		5.883	11.5		6.422	9.2	
20) 日本輸出入銀行	80	△52.9		50	△37.5		70	40.0		50	△28.6	
14) その他	240	△12.8		238	△ 1.0		251	5.3		356	41.9	
21) 小計(事業規模)	9,642	7.5	100.0	10,267	6.5	100.0	10,671	3.9	100.0	14,155	32.6	100.0
22) 回収金	△ 754			△ 849			△ 993			△1,203		
23) 合計	8.888	5.8		9,418	6.0		9.678	2.8		12,952	33.8	
24) 対GNP比 (%)	0.336			0.340			0.344			0.438		

25) 注 四捨五入のため項目の和と合計が必ずしも一致しない

Key:

1. Unit in 100 million yen
2. Fiscal 1981
3. Fiscal 1982
4. Fiscal 1983
5. Fiscal 1984 government draft
6. Amount
7. Rate of increase
8. Component ratio
9. Grants
10. Bilateral grants
11. Economic development aid
12. Aid for increase in food production

13. Technological cooperation
14. Other
15. Capital subscriptions and contributions to international organizations
16. UN and other agencies
17. International development and financial institutions
18. Loans
19. Overseas Economic Cooperation Fund
20. Export-Import Bank of Japan
21. Subtotal (operational scope)
22. Funds recovered
23. Total
24. Percentage of GNP
25. Totals do not necessarily tally due to rounding off.

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OVERSEAS PRODUCTION OF JAPANESE AUTOMOBILES UPDATED

Tokyo SENTAKU in Japanese Feb 84 pp 88-91

[Article discussing present status and planned strategies for Japenese automobile manufactures in America]

[Text] "Seven Barriers" to Onsite Production of Cars

Large Automakers Compete in America Over Management Capabilities

Four years have already passed since the Honda Motor Company became the first Japanese car manufacturer to announce it was moving to America. Honda's Ohio factory was completed at the end of the year 2 years ago. Last year, the first year of trial operations, 50,000 cars were produced. This year a two-line system identical to the one in Japan was installed and full production of 150,000 cars annually began. Since it now has a fairly good idea as to its production capability, Honda announced in January that production will double to 300,000 cars.

Honda certainly does not have a monopoly on onsite production in America. Six months after Honda, the Nissan Motor Company constructed a factory in Smyrna, Tennessee, for the manufacture of small-size trucks. The start of full operations began in June of last year. A decision on building a facility for passenger vehicles also is expected the middle of this year.

The joint-production plan of the giant car manufacturers Toyota and General Motors finally received provisional approval from the Federal Trade Commission at the end of last year. Besides renovation of the Fremont (California) plant, machinery has been ordered. Upon official approval in March, renovation work will be speeded up with the aim of having the first car roll off the assembly line next spring.

Three of the large car manufacturers who export to the United States--Toyota, Nissan, and Honda--have already extended their operations to America. This year the spotlight is focusing on the activities of the Mitsubishi Motor Company and Toyo Kogyo. Both companies have already determined that "moving to America is inevitable." It is only a matter of when the companies will give the final go-ahead.

Of the eight car manufacturers who export to the United States, only three do not plan to extend their operations to America at the present time: in addition to Fuji Heavy Industries, these are the Suzuki Motor Company and Isuzu Motors, which has a capital tieup with GM. However, these three companies may be forced to move into America whether they want to or not if the domestic content bill (a measure which requires car parts to be supplied domestically) is put into effect in the American market.

The problem is whether [U.S.] approval of onsite production in America is given or not.

The Fight on Enemy Territory Has Begun

The friction between the United States and Japan over car [exports] came to the surface in January 1980. Although Honda had announced its plan to launch operations in America, friction nevertheless came to a head because of the sudden increase in Japanese car [imports] and UAW unemployment. Just at that time, the head of the UAW, Frazer, was set to go to Japan. He met with the heads of Toyota and Nissan and petitioned them directly about launching operations in America. The minister of finance also prevailed upon the companies to do so, but both rejected it as being "unprofitable."

Whether companies can launch onsite production and make it profitable or not depends on their management capabilities, but a simple comparison shows that there would certainly be more profit in exporting finished cars than in producing them in the United States. But since it was this steadfast policy of exporting finished cars that caused the trouble in the first place, the problem will not be resolved as long as this situation remains.

Viewed from its 90-year history, the American automobile industry was at its zenith until the first oil shock. America was originally able to reach its prominent place in the world not because industry rose simply due to an abundance of natural resources, but because industries, such as the automobile industry used natural resources, like oil, and developed.

If the American automakers' height of prosperity is the first era [in automotive history], then the second era can be called the golden age of Japanese cars. Japanese automakers were able to carve out a firm foothold in the U.S. market first of all because of their cars' meager gas consumption, and [secondly] because they supplied cheap cars of good quality. Its technology for producing things has been excellent, but this was the first time that Japan was recognized for turning out good-quality manufactured items.

However, the sudden increase in Japanese car [imports] put American manufacturers in a tight fix and, as a result, Japanese exports to America were placed under voluntary restrictions. The restrictions have been renewed for another year and will continue through 1984. But even if they are abolished in 1985, Japanese manufactuers will not be able to export as freely as before.

The present atmosphere surrounding the automobile industry is one in which "a certain number of cars will have to be produced in America in order to sell there." The golden age for Japanese cars lasted only 10 years. Whether

it wants to or not, the Japanese automobile industry will have to proceed with onsite production in order to survive. And onsite production does not mean just assembly. Over the long term, production must include parts as well.

It will probably take at least 10 years for serious production to become firmly established. The first round of the [U.S.]-Japan car war, which revolved around sales, was an overwhelming victory for Japan. It was a fight on Japanese soil, but the second round is a war on enemy territory. If the Japanese manufacturers can transplant Japanese-style management to America and produce good-quality cars, they can attain the top spot in the world in both name and reality. That battle has already begun.

Toyota Versus Nissan

It is one thing to talk about onsite production, but in the case of car manufacturing, it is no easy task to carry out. To construct an assembly facility that can turn out 200,000 cars annually costs at least $500 million. For a facility in which everything would be assembled from the engine on up, the cost would be $1 billion. Furthermore, a lot of personnel would be needed just for assembly production. The size of the facility would be much larger than the color TV factories of the home appliance manufacturers who have extended operations to the United States.

Onsite production quite naturally is something on which the company is gambling its fate. One mistake, and its life would be extinguished at that point. Japanese car manufacturers must get through, at present, seven barriers in order for onsite production in American to succeed.

The first barrier is the UAW. The soul of Japanese management methods lies in labor-management harmony. If possible, Japanese manufacturers would like to get away from UAW involvement. Besides the fact that UAW wages are high, the chief reason is that they consider the quality of labor to be poor.

Toyota's and Nissan's policies toward the UAW represent a good contrast in style. First of all, Nissan, which decided to set up a U.S. factory for small-size trucks, gave priority to choosing a place which was not only close to its Mexican factory but also had no UAW influence. The place Nissan finally chose, Smyrna, Tennessee, is close to Mexico. In addition, since there are no important car or car-related parts factories, it is outside the UAW's sphere of influence.

The man Nissan put in charge of the Tennessee plant was Mr Runyon, former vice president in charge of production at Ford, and its implanting Japanese management techniques in the unorganized labor force. UAW head Frazer criticized Nissan last June when he retired: "Nissan is obstructing UAW organizing." At the present time, the UAW is not actively organizing, so Nissan's aim has been successful for the moment.

Some people in theAmerican automobile industry, however, have pointed out that "the UAW cannot organize labor in the Smyrna plant because Nissan is paying its workers the same high wages that UAW employees are getting, no more or less." It is paying high wages in order to avoid UAW high wages!

At the present time, the UAW regards bringing Japanese enterprise to America as the first consideration and is suppressing its organizing activities for this reason as well. Naturally, however, it is expected that UAW organizing activities will pick up, once production gets into full stride.

On the other hand, Toyota will use an idle GM factory and hire former UAW employees first. In the fall of last year, Mr Usury, labor advisor for the [Toyota-GM] joint company and a former secretary of labor, concluded a provisional contract between the UAW and the company involving labor-management relations. In exchange for recognizing the UAW as the official formal representative of its employees, the company will adopt Toyota production methods at the plant and freely alter the occupational categories.

The second barrier concerns how well Japanese management techniques are established. Simply put, Japanese-style management is quality control [QC] and productivity. Both the Honda Ohio plant and the Nissan Tennessee plant are not bad as far as QC is concerned. This is because the middle-level supervisors, who were hired onsite [in America], were called to Japan before operations began and fully trained.

The problem will be when the two-line system is instituted and QC and productivity are set together. If these two elements do not prove out at the same time, the quality of Japanese management techniques will not be displayed. Which company--Toyota, which uses UAW personnel, or Nissan, which hired unorganized--labor will establish Japanese management techniques faster? This is another aspect of the Toyota-Nissan rivalry.

The third barrier is onsite production and supply of parts. When Honda and Nissan established onsite production, they had all of the major parts, such as engines and transmissions, sent from Japan. Onsite production means assembly. Toyota will also begin just with assembly. [The companies] will sooner or later run up against a barrier, however, by just conducting assembly operations. This is because the tenor of the talk among American pundits is that "the value that is added through assembly production only is low and has no merit for America."

Duel Between Japanization and Americanization

An assembly production plant represents the "Japanization of the American automobile industry." If this style takes root in America, the American automobile industry will undoubtedly deteriorate. This trend toward "Japanization," in which a car is totally assembled from the parts on up, will probably gather strength.

Honda realized this very quickly, and when it expanded its Ohio plant, it announced its intention to construct new facilities for the production of 2- and 4-wheel-vehicle engines. The Ohio factory is geographically close to the Motor City, Detroit, so it is relatively easy to supply American-produced parts. Nissan's Smyrna plant and Toyota's Fremont plant are both far away, however. If they are compelled to equip their cars with American-made parts, Nissan and Toyota will have to promote cooperative subcontracting plants for small parts by themselves.

The fourth barrier is model changes. In Japan, the custom is to have a model change of passenger vehicles once every 4 years. This is intricately connected to Japan's unique car inspection system. [The car manufacturers] have used this inspection system and the model change as a lever to promote trading in old cars and buying new ones. The model change is not just a matter of style; wholesale changes of things that are not readily visible, like the powertrain, are carried out. Because model changes are affected every 4 years, efficiency improves as a result. It can also be said that Japanese cars have caught up with and passed European and American cars in terms of standards in a very short time.

American model changes are not as dramatic as Japan's. There are many cars whose style has not changed in 10 years. As long as the Japanese custom does not change, onsite production operations will have to respond in similar manner, like it or not. In order to be in step with Japan for model changes, the onsite plants in America will have to gear up 6 months earlier than the domestic factories. The development system in Japan also will have to be speeded up by 6 months.

The fifth barrier is the company-community relationship. The pitch given to Japanese enterprises by each state has been aggressive. It is said that every state except for Alaska and Hawaii invited Toyota and Nissan to set up operations in their state. All of the states figured that car manufacturing would be good for employment and would help in rehabilitating the area's industries. This does not mean that the area would be happy if a big factory were built. Naturally, there are limits. Production would have to be on a scale that would not destroy the community.

In order to double its onsite production, Honda first thought about building a second plant next to its original factory. It finally settled on expanding the present facility because productivity would increase. But the matter of employees was also involved in the decision.

The current number of employees at the Ohio plant is 1,400. When two-line full operations begin in May, the number will rise to 1,700. Even if the 300,000-car-per-year production system were established by the end of 1986, this figure would increase by only 700 [as published] to 2,500 people. This would be because the present work force can be used effectively. It would not be the case, however, if a second plant were constructed in a place separate from the present factory.

The reason why Honda is so unusually concerned about the question of employees is because it can gather only about 2,000 people from the Columbus area where the plant is located. If more people than that were needed, they would have to come from outside the area. It is very clear that the pastoral rural city would go to ruin if "strangers" were to come into the area. So even when expanding the production facilities, Honda feels it can only increase its work force by a number that is within the above-mentioned limit. If the area community were to deteriorate, Honda would immediately begin to hear "Honda, go home!"

The Last Barrier, Building a Marketing Network

Let's move on. The sixth barrier is the matter of shipping costs. Even though it is smaller than America, Japan as well as its automobile industry has become more and more sea-oriented. This is because half of its production is exports, so a location near the sea is an advantage.

Marine shipping costs are much cheaper than overland shipping costs. Quite frankly, freight charges are such that it is much cheaper for Nissan to ship cars by sea to Los Angeles from its Yokohama factory than it is for American car manufacturers to ship them overland across the Rocky Mountains from Detroit. The difference in price for American and Japanese small cars is between $1,500 and $2,000. A large portion of that is due to the difference in freight costs.

In order to offset this freight charge differential, the American Big Three [automakers] placed assembly plants in consumption centers--i.e., near big cities. In recent years, however, they are again being concentrated in the Detroit area. In its own way a plant located in an area of consumption is an advantage. But as long as those plants are just for assembly production, parts have to be brought in from Detroit. The Big Three returned to Detroit-area production because they deemed integrated production from parts to assembly to be more efficient, despite the higher shipping costs.

If Toyota's Fremont plant and Nissan's Smyrna plant become a second and third Detroit, they will adopt a policy similar to that of the Big Three. However, there are no parts factories near the two plants. Under these circumstances, both Fremont and Smyrna currently produce 200,000 cars a year and will be able to turn out no more than 300,000, no matter how hard they try. The Japanese car plants are only "dots" in the expanse of America. What is important, however, is that they are on a "line."

The final barrier is the marketing network. Japanese automobile marketing is tied to the manufacturer's string of dealers. In America, dealers are completely independent of manufacturers in terms of capital and personnel. In Japan there are 3,000 dealers, but in American, where demand is double that of the Japanese market, there are 15,000 dealers. One-third of these are combined dealers, selling Japanese cars and cars of one of the Big Three automobile manufacturers.

Because of this, it is easy to increase the number of dealers. Increasing the number of quality dealers, however, is unexpectedly difficult. Toyota and Nissan have 1,000 dealers throughout America. Ten years ago, most of those dealers were combined dealers, but now between two-thirds and three-fourths of them are exclusive dealers. Of course, breach-of-contract penalties can be collected if the number of cars that was agreed upon at the beginning of the year are not supplied. Actually, with the shortage of cars, the manufacturers have not been able to supply the contracted number of cars, and there have been many charges of breach of contract.

Therefore, it is not easy to increase the number of dealers. Even though production may be done onsite in America, the number must be increased in accordance with the scale of the production base. The strong car manufacturers are eager to build up a network of exclusive dealers, but this is an unexpectedly difficult task.

These are the seven barriers. There are various problems with onsite production, as we have seen up till now. However, unforeseen difficulties will undoubtedly arise as well, once production begins. Resolving these problems, one at a time, is tied to establishing roots in America. If after 10 years the question "Are Toyota and Nissan Japanese enterprises?" is asked, then it can be said for the first time that Japan has won the U.S.-Japan car war. Who will become the true champion in the U.S. market? This is first a challenge of each company's ability.

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OUTLINE FOR 1984 TREASURY LOANS, INVESTMENTS REPORTED

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[Article by Fumihiko Mizutani, chief of Capital First Division, Financial Bureau, Ministry of Finance]

[Text] The fiscal 1984 treasury investment and loan plan, which had been in the making as part of the fiscal 1984 budget formulation process, was finalized and submitted to the Cabinet Council on 25 January. Its total amount is 21.1066 trillion yen, which constitutes an increase of only 1.9 percent over fiscal 1983--the smallest such increase in 26 years, no less. That is all the more reason why the plan has turned out to be what it is: in terms of management, the plan has gone to more extremes than ever to ensure priority-based and effective allocation of the limited fiscal resources; in terms of the sources of funds, the plan reflects a keener interest in the utilization of private-sector capital. What follows is an explanation of the plan's outline.

I. Formulation of the Plan: Details and Background

1. Suppression of Demand

The treasury investment and loan (referred to hereafter as "treasury investment") program is comprised of the underwriting of government bonds by means of Trust Fund Bureau funds, and capital operations conducted on the basis of the treasury investment and loan plan (referred to hereafter as "treasury investment plan").

With regard to the treasury investment plan, there were times when it was possible to formulate a fairly flexible plan, owing to relatively favorable growth in fiscal resources such as postal savings and pension funds. But due to constraints in fiscal resources and various changes in the factors pertaining to treasury investments, such as the underwriting of government bonds, the plan's annual rate of growth over each preceding year has been limited to a single digit since fiscal 1980--in fiscal 1983 the rate fell to as low as 2.0 percent.

Likewise, with respect to fiscal 1984, in view of the unlikely prospect for any increase in fiscal resources such as postal savings on the one hand, and of the likely prospect for a growing demand on Trust Fund Bureau funds for government-bond underwriting and for local financial measures that would require large sums of money, it was expected that the treasury investment plan for the year would have to be stricter than ever in its makeup. Furthermore, this being the first such plan to be drawn up following the submission of the final report by the Ad Hoc Commission on Administrative Reform, it was believed essential to take into account the spirit of that report and undertake a fundamental review of the operational activities and lending targets of the treasury investment agencies, and to try harder than ever to ensure that allocation of the funds would be based on prioritization and effectiveness.

Meanwhile, on the budget side, an understanding was reached at the cabinet meeting held on 12 July 1983 that in order to vigorously promote fiscal reform, a lower ceiling--even stricter than the ceiling applied in the previous year--had to be imposed on the estimate requests for the fiscal 1984 budget. Thus, when the budget is being prepared under a policy of constraint that is more severe than ever before, it is only natural that no part of the treasury investment plan can be treated in an easygoing manner.

Based on the background as described above, and also with a view toward facilitating smooth and efficient formulation of the treasury investment plan for fiscal 1984, it was decided to appeal to various ministries and agencies of the government to take a closer look at the details in submitting their requests, and to exercise maximum restraint on the scope of the requests.

Of course, in the case of the treasury investment plan, unlike the case of the budget, a uniform ceiling is not appropriate because of the diversity in the nature of activities and the financial affairs of the target agencies involved. Thus, the appeal had to be made separately to individual agencies.

The requests were submitted on 31 August. As a result of the understanding and cooperation of those concerned, the amounts requested totaled 22.4142 trillion yen, which constituted an increase of 8.3 percent over the previous year's programmed amount (20.7029 trillion yen) but an amount smaller than the previous year's total request (22.4358 trillion yen). It turned out to be the most constrained ever. (See Table 1)

2. Comprehensive Economic Policy and Supplementary Funding Actions

On 21 October 1983, the government decided on a comprehensive economic policy which was "designed to maintain and expand the level of business activity centered around domestic demand, to further ensure for the current fiscal year a net economic growth of about 3.4 percent, as originally projected by the government, and at the same time...to preserve and strengthen the free trade structure, to build harmonious external economic relations, and to contribute to the vitalization of the world economy. Under that policy, several treasury investment-related actions were taken.

Table 1. Trends in Amounts Requested and Amounts Programmed Under Treasury Investment and Loan Plans

第1表 財政投融資計画の要求額，計画額の推移

(1)(単位：億円，%)

(2) 年度	(3) 要求額	伸率 (5)	(4) 計画額	伸率 (5)
49	119,700	72.9	79,234	14.4
50	149,721	89.0	93,100	17.5
51	161,282	73.2	106,190	14.1
52	173,385	63.3	125,382	18.1
53	189,921	51.5	148,876	18.7
54	220,592	48.2	168,327	13.1
55	237,333	41.0	181,799	8.0
56	224,736	23.6	194,897	7.2
57	225,205	15.6	202,888	4.1
58	224,358	10.6	207,029	2.0
59	224,142	8.3	211,066	1.9

Key:

1. Units: hundreds of millions of yen, and percent
2. Fiscal year [1974, 1975---1984]
3. Amount requested
4. Amount programmed
5. Rate of Increase [in both columns, the comparison is made against the preceding year's programmed amount]

a. As part of the addition--amounting to some 1.88 trillion yen--to the scope of public investment activities, it was decided to and some 150 billion yen to the operating expenses of the Japan Highway Public Corp. Excluding the portion of the funds to be raised through borrowings from the private sector, as a treasury investment action 35.4 billion yen was added to the sum to be raised through government-guaranteed bonds during fiscal 1983.

b. With respect to the Housing Loan Corp, it was decided to focus primarily on the private housing construction loans and to add 160,000 families (200 billion yen in funding scope) to the number of potential recipients of this type of loan. As a treasury investment action designed to provide part of the funds required for this purpose, the sum of 50 billion yen was added to the fiscal 1983 funds of the Trust Fund Bureau.

c. With respect to the issuance of additional local [municipal and prefectural] bonds related to the disaster reconstruction program, an appropriate action will be taken pending determination of the required amount.

d. With regard to the Japan Development Bank, its lending ceiling was increased by 30 billion yen (the funding requirement for this is to be met with the bank's own capital) in order to promote energy-related investments. In the case of the Export-Import Bank of Japan, it was decided to facilitate an expansion of importation of finished goods and to issue new loans to accommodate the capital requirements for that purpose.

e. With regard to interest rates, in accordance with the policy decision "to ensure flexible implementation of the financial policies and to promote a general lowering of the interest level while carefully watching the internal and external economic trends and the international monetary situation, "the following series of actions has been taken: the official discount rate was lowered by 0.5 percent (22 October 1983); the long-term prime rate was lowered by 0.2 percent and the basic money rate of government-affiliated banking institutions was also lowered (28 October 1983); the short-term prime rate was lowered by 0.5 percent (11 November 1983); the interest rates on deposits and savings were lowered by 0.25 percent (4 January 1984); the Trust Fund Bureau's deposit and accommodation rates were lowered by 0.2 percent and the special rate of the government-affiliated banking institutions was also lowered (1 February 1984).

3. Activities of the Ad Hoc Commission on Administrative Reforms

The Ad Hoc Commission on Administrative Reform, which was launched in March 1981 for the purpose of promoting administrative reform, has submitted five reports to the government, the first of which was rendered in July 1981 and the final one in March 1983. Upon receipt of each report, the government reaffirmed its policy to promote such reforms. Suggestions concerning the treasury investment activity, including separate propositions on how each of the special-status corporations should be reformed, appear in the first report, the third report (the basic report), and the fifth report (the final report). To sum up, the commission suggested that treasury investment operations be rationalized and that the treasury investment program reexamined with a view to ensuring the relevance of the treasury investment functions through a selective and effective allocation of limited funds, in conformity with the changes in the social and economic conditions. Some of the suggestions had already been taken in to account in the fiscal 1983 plan; some others are the kinds of problems which should be dealt with in medium- and long-term perspectives. In any event, it is necessary to face up to these suggestions seriously in the formulation of future plans.

Meanwhile, the Ad Hoc Council for Administrative Reform Promotion, which came into being in June 1983 on the heels of the first Ad Hoc Commission as the mechanism for promoting administrative reforms, presented to the government on 22 December 1983--on the eve of the preparation of the fiscal 1984 budget--the council's "views concerning the preparation of the fiscal 1984 budget and the urgent questions related to administrative reform." With respect to the treasury investment-related matters, the council included a suggestion that the present integrated investment approach--through the use of the Trust Fund Bureau funds--be maintained.

II. Outlook for Fiscal Resources for Treasury Investments and Loans

As shown in Table 2, the fiscal resources for treasury investments are comprised of such government funds as the industrial investment special account, Trust Fund Bureau funds, and post-office life insurance funds, and of such forms of utilizing private-sector funds as government-guaranteed bonds and government-guaranteed borrowings.

(1) Recently, the industrial investment special account has become the source of funds for capital subscriptions as part of the treasury investment activity. For fiscal 1984, 4.8 billion yen, which is 400 million yen less than in the previous year, is earmarked for this special account to meet the funding requirements for capital subscriptions to the Hokkaido and Tohoku Development Corp and the Okinawa Development Finance Corp. In addition, pursuant to the "Fiscal Resources Guarantee Law of 1981," 15 billion yen (as against 16 billion yen in fiscal 1983) is programmed to be transferred into this special account to meet some of the expenditures under the general account.

(2) The projected fiscal resouces for the Trust Fund Bureau funds, which constitute the bulk (76.5 percent in fiscal 1984) of the fiscal resources for treasury investments, amount to 18.9052 trillion yen, which is 230.1 billion yen less than the previous year (19.1353 trillion yen).

Specifically, in the case of postal savings, for example, they are in the doldrums due to the effects of the financial conditions created by the recent trend in individual disposable income and the development of new banking instruments by private banking institutions. As a result, the target amount of postal savings for fiscal 1984 as set by the Ministry of Posts and Telecommunications is 6.9 trillion yen, which is 1 trillion yen less than the previous year (7.9 trillion yen). In the case of so-called pension funds consisting of employees pensions and national pensions [for the self-employed], due to a sharp increase in pension payments resulting from the increased number of eligible recipients, it is expected that the new reserve (the surplus insurance premium revenue after pension payments are made) going into the two special accounts will amount to 3.85 trillion yen, which is 250 billion yen less than the previous year (4.1 trillion yen). Because of such significant decreases in funds, although the recovery fund category (recovery from existing operations and deposits from other special accounts) is expected to amount to 8.1552 trillion yen which is an increase of 1.199 trillion yen over the previous year (7.1353 trillion yen), the Trust Fund Bureau fund as a whole had to be projected on the basis of a decrease of 230.1 billion yen from the level of the previous year. Incidentally, the large increase in the recovery fund over the previous year is due to the following: in the fiscal 1983 budget, as part of the measures designed to ensure sufficient nontax revenue with which to restore the fiscal resources devoted to making up the closing deficit of the fiscal 1981 budget, it was necessary to take certain actions such as drawing down on the reserve fund for subsidiary coins in the custody of the Trust Fund Bureau; however, no such problems faced the fiscal 1984 budget.

(Note) With respect to postal savings, as was the case in fiscal 1982 and 1983, once again there was a request for a separate utilization. The idea is that the Ministry of Posts and Telecommunications be allowed to utilize independently a portion of the postal savings fund, which is currently being utilized centrally as part of the Trust Fund Bureau fund. This issue was not settled until the very last phase of the budget preparation, but the consolidated utilization policy was preserved intact and the treasury investment plan was formulated on that basis.

Table 2. Fiscal 1984 Treasury Investments and Loans--Fiscal Resources and Fund Allocation

第２表　59年度財政投融資の原資・資金配分

(1)(単位：億円，％)

(6) 区分		(2) 58年度	(4) 増△減額	(5) 伸率	(3) 59年度	(4) 増△減額	(5) 伸率
原 (A) 資	1 産業投資特別会計	52	△ 137	△ 72.5	48	△ 4	△ 7.7
	2 資金運用部資金	191,353	△ 4,336	△ 2.2	189,052	△ 2,301	△ 1.2
	(a) 郵便貯金	79,000	—	0.0	69,000	△10,000	△ 12.7
	(b) 厚生年金・国民年金	41,000	△ 2,000	△ 4.7	38,500	△ 2,500	△ 6.1
	(c) 回収金等	71,353	△ 2,336	△ 3.2	81,552	10,199	14.3
	3 簡保資金	23,544	3,734	18.8	25,866	2,322	9.9
	(d) 小計（政府資金）	214,949	△ 739	△ 0.3	214,966	17	0.0
	4 政府保証債・政府保証借入金	29,080	6,880	31.0	32,100	3,020	10.4
	(e) 政府保証債	27,500	5,300	23.9	29,500	2,000	7.3
	(f) 政府保証借入金	1,580	1,580	皆増	2,600	1,020	64.6
	合 (g) 計	244,029	6,141	2.6	247,066	3,037	1.2
(B) 資金配分	1 国債引受	37,000	2,000	5.7	36,000	△ 1,000	△ 2.7
	2 財政投融資計画	207,029	4,141	2.0	211,066	4,037	1.9
	(1) 一般財投	163,822	4,741	3.0	163,859	37	0.0
	① 銀行・公庫	101,521	3,337	3.4	99,695	△ 1,826	△ 1.8
	② 公共事業実施機関	27,813	1,492	5.7	29,583	1,770	6.4
	③ その他機関	34,488	△ 88	△ 0.3	34,581	93	0.3
	(2) 地方	43,207	△ 600	△ 1.4	47,207	4,000	9.3

（注）「地方」は地方公共団体及び公営企業金融公庫である。(h)

Key:

1. Units: 100 million yen, and percent
2. Fiscal 1983
3. Fiscal 1984
4. Amount of increase or decrease [△]
5. Rate of increase [or decrease: △]
6. Classification
   A. Fiscal resources
      1. Industrial Investment Special Account
      2. Trust Fund Bureau Funds
         a. Postal savings
         b. Employees Pensions and National Pensions
         c. Recovery funds
      3. Assets of Postal Life Insurance
         d. Subtotal (government funds)
      4. Government-guaranteed bonds and government-guaranteed borrowings
         e. Government-guaranteed bonds
         f. Government-guaranteed borrowings
         g. Total

[Key continued on following page]

[Key for Table 2 continued]

Key:

(continuation of Key number 6, Classification)

B. Fund allocation
  1. Underwriting of government bonds
  2. Treasury investment and loan plan
    1) General treasury investment
      (1) Banks, finance corporations
      (2) Public works implementation agencies
      (3) Other agencies
    2) Local

h. (note) "Local" refers to local public authorities and finance corporations of local public enterprises.

(3) In the category of postal life insurance assets, of the projected new fiscal resources (reserves expected from new enrollments and recovery funds from ongoing operations) for fiscal 1984 amounting to 3.5926 trillion yen, 1.006 billion yen is earmarked for loans to policy holders and for bank bonds and industrial debentures, and the remaining 2.5866 trillion yen is expected to be used as the fiscal resources for the treasury investment plan. This amount represents an increase of 232.2 billion yen over the previous year (2.3544 trillion yen).

(4) To sum up, the government funds consisting of the industrial investment special account, the Trust Fund Bureau fund, and the assets of postal life insurance total 21.4966 trillion yen, which is an increase of 1.7 billion yen over the previous year (21.4949 trillion yen), indicating a picture of severe constraint.

To augment such limited government funds as noted above, to ensure an appropriate scope of operation and lending activity by the treasury investment agencies, and at the same time with a view to diversifying the capital procurement program of the treasury investment agencies, efforts are to be made for maximum possible utilization of private-sector capital.

Specifically, during fiscal 1984, in consideration of the liquidity position of the syndicate consortium underwriting government-guaranteed bonds, various ways and means will be devised for nonsyndicate absorption of government-guaranteed bonds, the volume of which was greatly increased during fiscal 1982 and 1983, and, at the same time, the government-guaranteed borrowings arranged in fiscal 1983 for the Housing and Urban Areas Development Corporation and the Honshu-Shikoku Bridge Authority will be further expanded. Though such diversification of the procurement of private-sector capital, it is hoped that government-guaranteed bonds and borrowings will raise 3.21 trillion yen, which would be 302 billion yen more than in the previous year (2.908 trillion yen).

(5) This will bring the total fiscal resources for treasury investments in fiscal 1984 up to 24.7066 trillion yen, which is an increase of 303.7 billion yen, or 1.2 percent, over the previous year (24.4029 trillion yen).

Using these fiscal resources for treasury investments, the underwriting of government bonds (Trust Fund Bureau fund) and capital operations based on the treasury investment plan will be undertaken.

III. Underwriting of Government Bonds

The underwriting of government bonds using Trust Fund Bureau funds has always been a matter to which careful attention has been paid in order to ensure proper balance with the treasury investment plan, by taking into account the comprehensive picture covering the fiscal resources status of the Trust Fund Bureau, the capital requirements of the treasury investment agencies, and the market financial conditions.

The same considerations have been applied to fiscal 1984 as well. Despite the extremely tight picture with regard to fiscal resources, and although the planned amount of government bond issue (new bonds for fiscal resources) is 665 billion yen less than in fiscal 1983, in order to facilitate the smooth absorption of government bonds on the market, the amount to be underwritten by Trust Fund Bureau funds will be reduced by only 100 billion yen, to 3.6 trillion yen (3.7 trillion yen in fiscal 1983).

As a result, of the planned issue of government bonds totaling 12.68 trillion yen in fiscal 1984, 6.8 trillion yen will be underwritten by the underwriting syndicate consortium, 3.6 trillion yen by Trust Fund Bureau funds, and the remaining 2.28 trillion yen will be issued as medium-term fixed-rate government bonds to be offered for open-tender public subscription.

Thus, the percentage share of the total planned issue of government bonds to be underwritten by the Trust Fund Bureau funds will increase by 28.4 percent, 0.7 percent over the 27.7-percent initial projection of the previous year. (See tables 3 and 4)

Table 3. Planned Issuance of Government Bonds in Fiscal 1984

第3表 59年度国債発行予定

(1) (単位：億円)

年度 (2) / 区分 (8)	(3) 58年度 当初予定(A) (5)	58年度 補正及び振替後(B) (6)	(4) 59年度 当初予定(C) (7)	(C)−(A)
(9) シ団引受				
(10) 10年債	64,000	57,210	64,000	0
		(11) (20年債) 5,790		
		(12) (15年債) 4,450		
(13) 5年割国	2,000	3,000	4,000	2,000
(14) 小計	66,000	70,450	68,000	2,000
(15) 公募入札 (16) 中期債	30,450	30,450	22,800	△ 7,650
(17) 運用部引受 (18) 10年債	37,000	37,000	36,000	△ 1,000
(19) 計	133,450	137,900	126,800	△ 6,650

(Key on following page)

(Key for Table 3 from previous page)

Key:

1. Unit: 100 million yen
2. Fiscal year
3. Fiscal 1983
4. Fiscal 1984
5. Initial plan (A)
6. After revision and transfer (B)
7. Initial plan (C)
8. Category
9. To be underwritten by syndicate consortium
10. 10-year bond
11. 20-year bond
12. 15-year bond
13. 5-year discount government bond
14. Subtotal
15. Open-tender public subscription
16. Medium-term bond
17. To be underwritten by Trust Fund Bureau funds
18. 10-year bond
19. Total

Table 4. Trends in the Amount Underwritten by Trust Fund Bureau, the Amount of Treasury Investment and Loan, and the Amount of Government Bond Issued (Initial Plan)

第4表 資金運用部引受額，財政投融資，国債発行額の推移（当初計画）

(1)(単位：億円，%)

(2) 区分	(3) 資金運用部による国債引受額 (A)	(4) 財政投融資 (B)	(5) 国債発行額 (C)	(6) 財政投融資に占める資金運用部引受額の割合 (A/B)	(7) 国債発行額に占める資金運用部引受額の割合 (A/C)
51年度 (8)	10,000	116,190	72,750	8.6	13.7
52	10,000	135,382	84,800	7.4	11.8
53	—	148,876	109,850	—	—
54	15,000	183,327	152,700	8.2	9.8
55	25,000	206,799	142,700	12.1	17.5
56	35,000	229,897	122,700	15.2	28.5
57	35,000	237,888	104,400	14.7	33.5
58	37,000	244,029	133,450	15.2	27.7
59	36,000	247,066	126,800	14.6	28.4

Key:

1. Units: 100 million yen, and percent
2. Category
3. Amount of government bond underwritten by Trust Fund Bureau (A)
4. Treasury investment and loan (B)
5. Amount of goverment bonds issued (C)
6. The amount underwritten by Trust Fund Bureau in percent of treasury investment and loan (A/B)
7. The amount underwritten by Trust Fund Bureau in percent of the amount of government bonds issued (A/C)
8. Fiscal years 1976, 1977----1984

IV. Unique Features of the Treasury Investment and Loan Plan

What follows is an explanation of the unique features of the fiscal 1984 treasury investment and loan plan.

1. Constraints on the Plan's Scope

The total amount of fiscal resources for treasury investments in fiscal 1984 is 24.7066 trillion yen, of which 3.6 trillion yen is earmarked for underwriting of government bonds (Trust Fund Bureau fund) and 21.1066 trillion yen is to be used as the fiscal resources for the treasury investment plan. The resulting scope of the fiscal 1984 treasury investment plan, amounting to 21.1066 trillion yen, represents a increase of 3.7 billion yen, or 1.9 percent, over the fiscal 1983 plan (20.7029 trillion yen).

Looking at the trend in the rate of growth in treasury investment plans, from fiscal 1959 through 1979 a high rate of growth in double digests continued, but in fiscal 1980 it fell to a single diget and thereafter kept on decreasing in each successive year, until it reached 2.0 percent in fiscal 1983. The fiscal 1984 rate of growth, 1.9 percent, is lower than that of fiscal 1983 and is the lowest in 26 years--since fiscal 1958 (1.6 percent).

Dividing the treasury investment plan into two segments--one intended for local public authorities (referred to hereafter as "local areas") and the other for general treasury investment agencies (referred to hereafter treasury investment agencies (referred to hereafter as "general treasury investments"), in fiscal 1984 a priority allocation of funds (an increase of 400 billion yen, or 9.3 percent, over the previous year) has been made to local areas in order to facilitate the implementation of new local financial policy measures (to be elaborated on later), resulting in an increase of but 3.7 billion yen (0.0 percent), or "zero growth", in the general treasury investments. This is the lowest growth in 30 years, since fiscal 1954 (minus 19.8 percent). (See Table 5)

2. Priority Allocation of Funds

With the amount of the overall plan under constraint, the direction is to pay closer attention to the allocation of funds on a priority basis, in accordance with the needs from the policy standpoint.

In fiscal 1984, with a view to improving the people's standard of living and facilitating improvements in the people's basic livelihood, special attention is to be paid to ensuring appropriate levels of program activity and financing for such sectors as highways, housing, medium and small businesses, economic cooperation, resources, energy, etc. Also, in the area of local finances, the amount of government funds to be applied to local bonds will be greatly increased so as to facilitate the smooth implementation of new local fiscal measures.

Table 5. Trends in Treasury Investments and Loans and General Account (Initial Plan)

第5表 財政投融資及び一般会計の推移(当初計画)

(1)(単位:億円, %)

(2) 年度	(3) 財政投融資(A) (9)(伸率)	(4) 国債引受(B) (9)(伸率)	(5) 財政投融資計画(C) (9)(伸率)	(6) 一般財投(伸率)(9)	(7) 地方(伸率)(9)	(8) 一般会計予算(D) (伸率)	A/D	C/D
28	3,228	—	3,228	2,113	1,115	9,655	33.4	33.4
30	3,219(14.1)	— —	3,219(14.1)	2,050(20.9)	1,169(3.9)	9,915(△0.8)	32.5	32.5
35	6,069(13.9)	— —	6,069(13.9)	4,501(8.7)	1,568(31.8)	15,697(10.6)	38.7	38.7
40	16,206(20.9)	— —	16,206(20.9)	12,302(22.1)	3,904(17.4)	36,581(12.4)	44.3	44.3
45	36,099(16.2)	300(0.0)	35,799(16.3)	29,373(16.9)	6,426(14.0)	79,498(18.0)	45.4	45.0
50	97,300(16.6)	4,200(0.0)	93,100(17.5)	74,797(16.9)	18,303(20.0)	212,888(24.5)	45.7	43.7
51	116,190(19.4)	10,000(138.1)	106,190(14.1)	88,485(18.3)	17,705(△3.3)	242,960(14.1)	47.8	43.7
52	135,382(16.5)	10,000(0.0)	125,382(18.1)	101,872(15.1)	23,510(32.8)	285,143(17.4)	47.5	44.0
53	148,876(10.0)	(10)—(皆 減)	148,876(18.7)	117,421(15.3)	31,455(33.8)	342,950(20.3)	43.4	43.4
54	183,327(23.1)	15,000(皆 増)	(11)[illegible]3,327(13.1)	130,719(11.3)	37,608(19.6)	386,001(12.6)	47.5	43.6
55	206,799(12.8)	25,000(66.7)	181,799(8.0)	141,692(8.4)	40,107(6.6)	425,888(10.3)	48.6	42.7
56	229,897(11.2)	35,000(40.0)	194,897(7.2)	153,390(8.3)	41,507(3.5)	467,881(9.9)	49.1	41.7
57	237,888(3.5)	35,000(0.0)	202,888(4.1)	159,081(3.7)	43,807(5.5)	496,808(6.2)	47.9	40.8
58	244,029(2.6)	37,000(5.7)	207,029(2.0)	163,822(3.0)	43,207(△1.4)	503,796(1.4)	48.4	41.1
59	247,066(1.2)	36,000(△2.7)	211,066(1.9)	163,859(0.0)	47,207(9.3)	506,272(0.5)	48.8	41.7

(注) 「地方」は地方公共団体及び公営企業金融公庫である。(12)

Key:

1. Units: 100 million yen, and percent
2. Fiscal years [1953, 1955, 1960, 1965, 1970, 1975---1984]
3. Treasury investments and loans (A)
4. Underwriting of government bonds (B)
5. Treasury investment and loan plan (C)
6. General treasury investments
7. Local areas
8. General account budget (D)
9. (Rate of growth)
10. (Total decrease)
11. (Total increase)
12. (Note) "Local areas" denotes local public authorities and finance corporations of local public enterprises.

Meanwhile, with regard to all treasury investment agencies, their program details will be reviewed in a strict manner; for some agencies, taking into account the progress status of their program activities and the trend in their financial requirements, maximum effort will be made to curb their program and borrowing levels as well as their treasury investment level.

Dividing general treasury investments into three segments--banks and finance corporations, public works implementation agencies, and other agencies--the fiscal 1984 treasury investment amount of banks and finance corporations, the

so-called system financing institutions, is severely constrained to the point where it is less than the previous year. This, one may say, is one of the more notable of the unique features of the fiscal 1984 treasury investment plan. (See Table 2)

Meanwhile, of a total of 48 agencies--excluding the two newly designated as the target agencies of treasury investment--a comparison of their fiscal 1984 treasury investment amount against their fiscal 1983 amount shows that 21 agencies are receiving more in fiscal 1984 than in the previous year, 24 are receiving less (of these, one agency is receiving none in fiscal 1984), and three are receiving the same amount. In this sense, this is a daringly modulated plan based on the actual need for funds on the part of each agency.

Looking at the breakdown by purpose, fund allocated to those sectors directly linked to improvements in the people standard of living (categories 1 through 6) make up 70 percent of the total, as was the ease in the previous year. (See Table 6)

Table 6. Breakdown by Purpose of the Fiscal 1984 Treasury Investment and Loan Plan

第6表 59年度財政投融資計画の使途別分類

(a)(単位：億円, %)

(f) 区分	(b) 58年度		(c) 59年度	
	金額 (d)	構成比 (e)	金額 (d)	構成比 (e)
(1) 住宅	53,041	25.6	52,895	25.1
(2) 生活環境整備	27,648	13.4	30,075	14.2
(3) 厚生福祉	6,520	3.1	6,379	3.0
(4) 文教	7,830	3.8	7,771	3.7
(5) 中小企業	39,422	19.0	39,683	18.8
(6) 農林漁業	9,630	4.7	10,348	4.9
(g) (1)~(6) 小計	144,091	69.6	147,151	69.7
(7) 国土保全・災害復旧	3,325	1.6	3,791	1.8
(8) 道路	15,837	7.6	17,117	8.1
(9) 運輸通信	19,246	9.3	18,876	8.9
(10) 地域開発	5,114	2.5	5,000	2.4
(h) (7)~(10) 小計	43,522	21.0	44,784	21.2
(11) 基幹産業	6,262	3.0	6,203	3.0
(12) 貿易・経済協力	13,154	6.4	12,928	6.1
(i) 合計	207,029	100.0	211,066	100.0

Key:

a. Units: 100 million yen, and percent
b. Fiscal 1983
c. Fiscal 1984
d. Amount
e. Percentage distribution
f. Category
  (1) Housing
  (2) Improvement of living environment
  (3) Welfare
  (4) Education and culture
  (5) Medium and small businesses
  (6) Agriculture, forestry and fisheries
g. Subtotal (1) ~ (6)
  (7) Conservation of national land and disaster reconstruction
  (8) Highway
  (9) Transportation and communications
  (10) Regional development
h. Subtotal (7) ~ (10)
  (11) Basic industries
  (12) Trade, economic cooperation
i. Total

3. Utilization of Private Sector Capital

As pointed out earlier, even with the effort to increase the amounts of government-guaranteed bonds and government-guaranteed borrowings, the fiscal resources for treasury investments will still be extremely tight. Nevertheless, it is essential to ensure that appropriate programs are carried out smoothly; hence, some of the treasury investment agencies will be asked to procure their own funds as much as possible through private loans and private-sector long-term borrowings. As a result, the procurement of private-sector funds, including the aforementioned government-guaranteed bonds and government-guaranteed borrowings, by treasury investment agencies, excluding local public authorities, will amount to 6.8926 trillion yen, which is 699.9 billion yen (11.3 percent) more than that of the previous year. This amount is comparable with the amount of government bonds being underwritten by the syndicate consortium--one can say it is an amount on a fair scale. (See Table 7)

Meanwhile, with respect to the raising of funds abroad--i.e., floatation of government-guaranteed foreign bonds--i.e., floatation of government-guaranteed foreign bonds--keeping in mind the need for harmonious external economic relations as well, the plan is to ensure a level of government guarantees up to 603 billion yen, which is about 50 percent more than in the previous year (409 billion yen).

Table 7. Utilization of Private-Sector Funds by Treasury Investment Agencies (Initial Plan)

第7表 財投機関の民間資金活用状況（当初計画）

(1)(単位：億円，%)

区 (2) 分		(3) 57年度	(4) 58年度	(5) 59年度	(6) 58→59 増減
(7) 財投原資	(8) 政府保証債	(38.8) 22,200	(23.9) 27,500	(7.3) 29,500	2,000
	(9) 政府保証借入金	(皆減) (10)	(皆増) (11) 1,580	(64.6) 2,600	1,020
	小 (12) 計	(38.7) 22,200	(31.0) 29,080	(10.4) 32,100	3,020
(13) 自己資金	縁 故 (14) 債	(5.1) 21,559	(1.7) 21,934	(5.3) 23,100	1,166
	民間長期借入金 (15)	(50.3) 8,790	(24.2) 10,913	(25.8) 13,726	2,813
	小 (12) 計	(15.1) 30,349	(8.2) 32,847	(12.1) 36,826	3,979
合 (16) 計		(24.0) 52,549	(17.8) 61,927	(11.3) 68,926	6,999

(注)（ ）内は，対前年度伸率である。 (17)

Key:

1. Units: 100 million yen, and percent
2. Category
3. Fiscal 1982
4. Fiscal 1983
5. Fiscal 1984
6. Increase or decrease in fiscal 1984 over fiscal 1983
7. Fiscal resources for treasury investments
8. Government-guaranteed bonds
9. Government-guaranteed borrowings
10. Total decrease
11. Total increase
12. Subtotal
13. Self-procured funds
14. Private loans
15. Private-sector long-term borrowings
16. Total
17. Note: Figures in parentheses are rates of increase over the previous year.

4. Implementation of the Ad Hoc Commission Report

With regard to the rationalization of treasury investment management and the reexamination of treasury investment programs as called for in the report of the Ad Hoc Commission on Administrative Reform, in accordance with the New Administrative Reform Outline (24 May 1983) that mandated an effort for their implementation in the formulation process of fiscal 1984 plans, the fiscal 1984 treasury investment plan has been prepared in such a way as to incorporate them as much as possible. What follows is a summary of the steps taken in this context.

First, with respect to the rationalization of treasury investment management:

a. Centralized management by the Trust Fund Bureau was viewed as the most rational approach from the standpoint of ensuring appropriate allocations and timely, flexible and effective utilization of public funds; thus, the request for separate management of postal savings and postal life insurance surplus was denied, and the plan was drawn up firmly on the basis of centralized management.

b. On the question of underwriting government bonds using Trust Fund Bureau funds, in view of the tight fiscal resources picture, it was decided to underwrite to the maximum level possible.

c. Concerning the question of utilizing private-sector capital, various measures have been incorporated, such as devising ways to diversify government-guaranteed bonds, increasing government-guaranteed borrowings, increasing private loans and private-sector borrowings through the efforts of treasury investment agencies, and increasing the flotation level of government-guarantted foreign bonds.

Next, with respect to the reexamination of treasury investment programs:

a. It is difficult to undertake the act of regrouping or consolidating treasury investment agencies as part of the process of drawing up the plan, but in terms of the number of treasury investment agencies, with a view toward accommodating the need for structural rationalization and the demands of the times, new entities such as Japan Scholarship Society and the Kansai International Airport Co, Ltd (tentative name) will be added to the roster of treasury investment agencies, while reductions will be sought in the Flood Control Special Account and through the consolidation, effective January 1985, of the Medical Care Facilities Finance Corp and the Social Welfare Promotion Association into a Social Welfare and Medical Care Corp. As a result, the number of treasury investment agencies as of the end of fiscal 1984 will be same as the number (48 agencies) in fiscal 1983.

b. The program contents and lending targets of treasury investment agencies have been reexamined closely, and on the basis of their actual requirement for funds and the status of their program activities, maximum attention has been paid toward optimizing their program and lending scope as well as the level of their treasury investments.

c. As for new programs, only those will be approved that are truly necessary, based on the needs arising from the progress or changes in economic society; even in such cases, the "scrap and build" principle and the "sunset" approach will be the guiding framework.

Additionally, as part of the reexamination of short-term loans to special accounts, and as one of the new fiscal policy measures for local areas, a step has been taken barring as a rule any new loan of Trust Fund Bureau funds to the Special Account for Allotment of Local Allocation Tax in the future.

(Note) Acting in the spirit of the report by the Ad Hoc Commission on Administrative Reform, the Japan Scholarship Society is reviewing its existing interest-free loan program and, at the same time, has decided to newly institute loans with interest. From the standpoint of treasury investment, in view of the public nature of the scholarship program, a decision has been made to designate the Japan Scholarship Society as a new target agency; for fiscal 1984, 6.5 billion yen has been earmarked with which to fund loans, with interest, to 20,000 students (for their first year) of universities and junior colleges. The Kansai International Airport Co, Ltd, will be the subject of discussion later.

5. Economic Management-Related Considerations

Reflecting the tight fiscal resources picture, both the budget and the treasury investment programs have turned out to be constrained in their overall scope. Nevertheless, in order to facilitate smooth economic management, various considerations have been incorporated into the makeup of the treasury investment program. For example, for the public works implementation agencies, including the four highway-related corporations, sufficient funding is to be ensured to accommodate growth in construction costs, while encouraging the aggressive utilization of private-sector funds. With respect to the Housing Loan Corporation, the no-lottery system will continue to be maintained, and the lending system will be improved. Likewise, in the case of the Small Business Finance Corp, taking into account the recent trend in its capital requirements, a sufficient lending level will be ensured for fiscal 1984 to enable it to adequately meet its capital requirements, even if there should be a considerable upward surge.

Furthermore, for fiscal 1984, as has been done in the past, in order to ensure timeliness and flexibility in the implementation of treasury investments responsive to the changing economic conditions, a so-called flexibility clause is built in that will enable increased funding of up to 50 percent over the programmed amounts.

V. Outline of Key Policies Incorporated in the Treasury Investment and Loan Plan

1. Housing Measures

In consideration of the strong need to improve the people's housing acquisition and housing standards, and in order to facilitate steady implementation of the housing construction 5-year plan, a sum of 5.2895 trillion yen, which is roughly equivalent to one-fourth, of the total treasury investment plan, will definitely be set aside for housing measures.

With respect to the Housing Loan Corporation, 500,000 families will be the year's quota for housing loan recipients; they will be selected by a non-lottery system which will continue to be maintained; sufficient funds will be ensured to meet the loan requirements for fiscal 1984. Also, the loan system will be improved as follows: (a) in order to promote the formation of quality housing stock, the loan limit on a large-model house (more than 135 square meters but less than 165 square meters) will be raised (from 6.8 million yen to 7.4 million yen in the case of a loan for a private dwelling construction fund); (b) in order to encourage the construction of houses which can be shared with elderly persons, the amount of extra loan for such houses will be increased (from 600,000 yen to 700,000 yen, if an elderly person is to share the house); (e) the amount of extra loan for a two-family dwelling will be increased (from 600,000 yen to 1.3 million yen); (d) the special measure that had temporarily raised to 10 million yen or more the minimum income level beyond which a person cannot quality for a preferential interest rate on a loan (from 8 million yen or more under the original rule) will be extended for another year through fiscal 1984.

With regard to the housing mortgage loans to be issued by the Pension Welfare Service Public Corporation to the insured, 226,000 families will be assured of such loans, and furthermore the lending system will be improved by steps such as relaxing the eligibility requirements for the bonus for sharing a home with a physically handicapped person.

With respect to the Housing and Urban Development Corporation, taking into account the recent progress achieved in the program, the number of houses to be built is set at 27,000 (30,000 houses in fiscal 1983). In order to accommodate the diversified housing demands, a new housing supply system (the so-called free-plan rental housing system) will be instituted whereby the house structure may be leased while the interior finish may be conveyed. Meanwhile, in the residential land development program, 750 hectares (750 hectares in fiscal 1983 as well) are earmarked for the beginning of new development.

2. Small-Business Financing Measures

As part of the overall policy measures toward small businesses, a total of 3.9683 trillion yen, which is roughly equivalent to 20 percent of the treasury investment plan, will be secured jointly by the People's Finance Corporation, the Small Business Finance Corporation, and the Bank for Commerce and Industrial Cooperatives--the so-called trio for small businesses--in order to facilitate the smooth handling of the financing needs of small businesses.

As to the scope of general loans by the People's Finance Corporation and the Small Business Finance Corporation (in the case of the former, loans for operational improvement of small businesses are excluded), on the basis of the recent trend in the demand for funds, an increase of 3 percent over the previous year is projected. Separately, as to the scope of the unsecured and unguaranteed loans by the People's Finance Corporation for operational improvement of small businesses, a sum of 550 trillion yen--the same as in the previous year--has been set aside. The outstanding loan balance of the Bank for Commerce and Industrial Cooperatives will see a net increase of 9.1 percent, or 600 billion yen, over the balance for the previous year.

As for the system, both the People's Finance Corporation and the Small Business Finance Corporation will begin to make special loans for the promotion of computerization, while the Small Business Finance Corp will also institute special loans for the promotion of advanced technologies. Other steps will be taken to improve the system--steps such as raising from 3.5 million to 4 million yen the lending limit on the equipment-funds portion of operational improvement loans for small businesses.

3. Highway Improvement

In order to undertake the systematic improvement of toll roads to accommodate increasing transportation demands, the so-called four highway corporations--the Japan Highway Public Corporation, the Tokyo Expressway Public Corporation, the Hanshin Superhighways Corporation, and the Hanshu-Shikoku Bridge Authority--will aggressively utilize private-sector funds and will maintain appropriate levels of operational scope; for their highway construction funds, 1.3239 trillion yen is projected; this is 100.6 billion yen (8.2 percent) more than in the previous year.

The Japan Highway Public Corp has budgeted for construction funds the sum of 875 billion yen, which is 25 billion yen (2.9 percent) more than in the previous year's budget. Of this sum, 790 billion yen, which is 20 billion yen (2.6 percent) more than in the previous year, is earmarked for the construction of national vehicular expressways. As a result, it is expected that in fiscal 1984 the length of expressways in service will increase by 120 kilometers, making the total 3,555 kilometers. As for general toll roads, the construction of three routes is scheduled to begin, including the Saisho Bypass (reconstruction).

With regard to the Tokyo Expressway Public Corp, the sum of 115 billion yen is earmarked for construction funds: this is 10 billion yen (9.5 percent) more than in the previous year. As a result, in fiscal 1984 expressways in service are expected to increase by 12 kilometers, bringing the total to 173 kilometers. In addition, construction is scheduled to begin on the new Capital Expressway No 12.

With regard to the Hanshin Superhighway Corporation, a construction budget of 77 billion yen is projected; this is 7 billion yen (10 percent) more than in the previous year budget. No new roads are expected to be put into service during fiscal 1984; the total length of in-service highways will remain at 124 kilometers. Incidentally, construction is scheduled to begin on the new Kobe Yamate Route (extension section).

The Honshu-Shikoku Bridge Authority, which is currently undertaking construction work limited to one route with four bridges, will continue to concentrate on the Kojima-Sakaide Route in fiscal 1984. It has earmarked 256.9 billion yen for construction funds, which is 58.6 billion yen (29.6 percent) more than in the previous year.

4. Railroad Construction

With regard to the Japanese National Railways, taking into account various factors such as its operating conditions, the report by the Ad Hoc Commission on Administrative Reform, and the suggestions made by the National Railway Reconstruction Inspection Committee, an early revision will be made to the operational improvement plan, and even more vigorous efforts will be made to rebuild its operation. Construction outlays will be limited as much as possible to those urgent items such as safety enhancement-related security and replacement investments and the Tohoku Shinkansen project, for which 566.4 billion yen has been programmed, or 139.6 billion yen (19.8 percent) less than in the previous year. In terms of the related treasury investment, 1.456 trillion yen is programmed; this is 500 million yen less than in the previous year.

With regard to construction funds for the Japan Railway Construction Corporation, although the expenditures related to the Tsugaru Strait Line (the Seikan Tunnel) and the Joetsu Shinkansen line will decline, there is need to promote measures to cope with the transportation problems in major urban areas. With that in mind, increased funding was deemed in order for the Keiyo Line of the National Railways and for certain private lines; as a result, 190.5 billion yen is projected for this fiscal year; this is 1.4 billion yen (0.7 percent) more than in the previous year.

In addition, with regard to the Shinkansen maintenance work, a survey fund of 1.36 billion yen each (entirely as government subsidy) and a construction fund of 5 billion yen each (treasury investment and utilization bond) are programmed for the National Railways and the Railway Construction Corporation, but as for the construction fund, the degree and method of official aid and regional defrayment will, as usual, first be coordinated before the actual work is begun.

5. Airport Construction

The New Tokyo International Airport Corp will continue to undertake the construction of airport facilities and the environmental protection measures, for which 41 billion yen (51.3 billion yen in fiscal 1983) has been programmed as operating funds.

In addition, in fiscal 1984, the Kansai International Airport Co, Ltd, which is to be set up to handle the installation and management of the Kansai international airport, will be designated as a treasury investment agency.

As for the construction of the Kansai international airport, the idea of the Ministry of Transport is to build an international airport that can operate around the clock off the coast of Senshu in Osaka Bay, with a total construction cost of some 1.8 trillion yen, in order to resolve the noise problem

of the existing Osaka International Airport and to adequately accommodate the increasing air transport demand. For the moment, the plan is to invest roughly 1 trillion yen to have the airport open in fiscal 1992 with one of the runways completed.

Initially, the option of setting up a public corporation or using a "third sector" was considered for the principal organization responsible for the installation and management of the new airport. However, from the standpoint of utilizing the private sector's vitality, it has been decided to establish the Kansai International Airport Co, Ltd, as a special juridical person with capital subscriptions by the government (Airport Improvement Special Account), local public authorities, and the private sector.

The activities to be undertaken in fiscal 1984 by this company are those of a preparatory nature, such as undertaking the preconstruction survey and investigations and filing applications for land reclamation; 17 billion yen is programmed to fund these activities. The treasury investment (government-guaranteed bonds) required for this phase is estimated at 7 billion yen.

6. Economic Cooperation

With a view to ensuring substantive economic cooperation in the spirit of international harmony, so as to contribute to the economic and social progress of developing countries, a loan-outlay level of 648 billion yen, which is 57 billion yen (9.6 percent) more than in the previous year, will be assured out of the Overseas Economic Cooperation Fund. As for the treasury investment, taking into account the funds on hand and other factors, a sum of 379.8 billion yen is programmed, which is 89.4 billion yen (30.8 percent) more than in the previous year.

With respect to the Export-Import Bank of Japan, care will be taken to ensure that the funding will be adequate to accommodate the recent market trend surrounding export-import financing, while paying attention to the need for expansion of harmonious international trade; at the same time, in order to facilitate the resources- and energy-related business operations abroad and overseas investments by our country's industries, the allocation of funds will be handled with a priority focus on the financing of imports and investments. With these in mind, the bank is projecting a lending level of 1.341 trillion yen, which is 4 billion yen (0.3 percent) less than in the previous year. Specifically for the financing of imports and investments, however, the bank is ensuring a lending limit of 441 billion yen, which is 10.3 percent more than the 400 billion of the previous year. As for the treasury investment, taking into account the funds on hand and other factors, 913 billion yen is programmed; this is 112 billion yen (10.9 percent) less than in the previous year.

Meanwhile, reflecting the severe world economic conditions, the number of countries rescheduling their debt payments has recently increased sharply. Our country, too, has been coping with this situation in the context of debt relief measures for those debt-laden nations. As a result, the insurance payments out of the Export Insurance Special Account have increased dramatically. In order to meet the resulting demand for funds for the preservation of

Table 8. Summary of Fiscal 1984 Treasury Investment and Loan Plan of Major Agencies

第8表 59年度主要機関財政投融資計画の概要

(1) （単位：億円）

(2) 機関名	(3) 58年度	(4) 59年度	(5) 備考	（58年度）	（59年度）	
(6) 住宅金融公庫	36,120	35,618	戸数 (24)	510千戸 →	500千戸	(40)
			貸付限度額 (25)			
			個人建設（135㎡超165㎡以下）(26)	680万円 →	740万円	(41)
			二世帯住宅 (27)	60万円 →	130万円	(41)
(7) 年金福祉事業団	7,748	7,782	被保険者住宅資金貸付規模 (28)	10,434 →	10,568	
(8) 住宅・都市整備公団	7,540	7,512	戸数 (24)	30千戸 →	27千戸	(40)
			新規宅地開発施行面積 (29)	750ha →	750ha	
(9) 道路四公団	16,007	17,410	建設費 (30)	12,233 →	13,239	
(10) うち日本道路公団	11,979	13,084	建設費 (30)	8,500 →	8,750	
(11) 本州四国連絡橋公団	1,417	1,680	建設費 (30)	1,983 →	2,569	
(12) 日本国有鉄道	14,565	14,560	工事経費 (31)	7,060 →	5,664	
			うち東北新幹線 (32)	1,100 →	1,350	
(13) 日本鉄道建設公団	1,595	1,678	建設費 (30)	1,891 →	1,905	
(14) 中小企業金融三機関	36,801	37,230	普通貸付規模 (33)			
			国民公庫（除く経営改善資金）(34)	22,670 →	23,350	
			中小公庫 (35)	21,750 →	22,400	
			商工中金 (36)	5,500 →	6,000	
(15) 日本開発銀行	8,140	8,180	貸付規模 (37)	11,340 →	11,524	
(16) 日本輸出入銀行	10,250	9,130	貸付規模 (37)	13,450 →	13,410	
(17) 海外経済協力基金	2,904	3,798	出融資規模 (38)	5,910 →	6,480	
(18) 農林漁業金融公庫	5,275	5,150	貸付規模 (37)	7,250 →	7,050	
(19) その他	16,877	15,811				
(20) 計	163,822	163,859				
(21) 地方公共団体	31,000	35,000	地方債計画 (39)	75,411 →	72,100	
(22) 公営企業金融公庫	12,207	12,207	貸付規模 (37)	12,230 →	11,920	
(20) 計	43,207	47,207				
(23) 合計	207,029	211,066				

Key:

1. Unit: 100 million yen [unless otherwise noted]
2. Names of agencies
3. Fiscal 1983
4. Fiscal 1984
5. Remarks
6. Housing Loan Corp
7. Pension Welfare Service Public Corp
8. Housing and Urban Areas Development Corp
9. Four highway-related corporations
10. Japan Highway Public Corp
11. Honshu-Shikoku Bridge Authority
12. Japanese National Railways
13. Japan Railway Construction Corp
14. Three financing agencies for small businesses

[Key continued on following page]

[Key continued from previous page]

15. Japan Development Bank
16. Export-Import Bank of Japan
17. Overseas Economic Cooperation Fund
18. Agriculture, Forestry and Fisheries Finance Corp
19. Other
20. Subtotal
21. Local public authorities
22. Finance Corporation of Local Public Enterprise
23. Total
24. Number of households
25. Lending Unit
26. Private construction (over 135 square meters but less than 165 square meters)
27. Two-family dwelling
28. Scale of lending housing mortgage loans to the insured
29. Acreage to be developed newly as housing lots
30. Construction expenditures
31. Project expenditures
32. The portion for Tohoku Shinkansen
33. Scale of general loans
34. People's Finance Corp
35. Small Business Finance Corp
36. Central Bank for Commerce and Industrial Cooperatives
37. Lending level
38. Level of capital subscriptions and loans
39. Planned issuance of local bonds
40. Thousands of households
41. 10,000 yen

the liquidity positions of the special account, short-term advances (so-called advances of funds for the sake of liquidity position) totaling 114.4 billion yen are to be made to that special account using Trust Fund Bureau funds during fiscal 1984.

7. Resources and Energy Measures

In view of the importance of the energy problem confronting our country, loans to energy-related businesses will continue to receive priority consideration.

The Japan Development Bank will continue to move toward an expansion of the loan ceilings for atomic power, energy diversification and petroleum; for the field of resources and energy as a whole, a lending level of 484 billion yen is programmed; this is 9.5 billion yen (2 percent) more than in the previous year.

As for the Japan Petroleum Development Corp, it will continue to invest in and provide loans to the Joint Stockpiling Company in order to promote the private-sector stockpiling of petroleum and liquefied petroleum gas (LPG). In addition, private-sector funds will be utilized to finance the procurement of petroleum and LPG for stockpiling by the private sector--and thereby to facilitate the national petroleum stockpiling program.

The Electric Power Development Co will continue its efforts to promote the work of developing power resources--both coal-burning thermoelectric power plants and hydroelectric power plants--in order to ensure a stable supply of electric power.

8. Local Financial Measures

In the past, when a shortage of financial resources occurred in the local fiscal administration, and advance (because such an advance is a short-term loan, it is not figured into the treasury investment plan) was made to the local Allocation Tax Special Account from Trust Fund Bureau funds to ensure the availability of monies to take care of the total local allocation tax as part of measures to make up for such a shortage.

But such reliance on the borrowings by the Local Allocation Tax Special Account to take care of the distribution of allocation taxes to local public authorities is problematical from the standpoint of the soundness of local finances as well as from the standpoint of promoting local administrative and financial reform. Furthermore, the outstanding balance of such borrowings has already reached the vast sum of 1.5219 trillion yen, and the yearly interest burden on it has reached the level of some 800 billion yen. In view of this, in the preparation of the fiscal 1984 budget, some drastic reform measures had to be devised against the local fiscal administration from a medium-term standpoint--measures such as barring as a general rule any new borrowing by the Local Allocation Tax Special Account from Trust Fund Bureau funds in the future. These reform measures, summed up in the context as related to treasury investments, are as follows:

a. Beginning in fiscal 1984 and thereafter, as a general rule there shall not be any futher borrowings by the Local Allocation Tax Special Account from Trust Fund Bureau funds.

b. As for the existing borrowings by the Local Allocation Tax Special Account, the repayment procedure shall be changed: repayment shall be deferred until fiscal 1990.

C. For the purpose of clearly establishing the respective repayment responsibility of the national government and the local authorities with regard to existing borrowings by the Local Allocation Tax Special Account, the national government share (5.8278 trillion yen) shall be transferred to the General Account effective 1 October 1984. The amount so transferred to the General Account shall be treated, on the basis of realities of the borrowing, as a long-term borrowing.

d. For the time being, as a local fiscal-resources measure in each fiscal year, an exceptional case shall be devised for the handling of the distribution of local allocation taxes.

e. Temporary local special grants shall be abolished.

f. To the extent possible, construction local bonds shall be utilized.

As for the revenue-expenditure outlook in local finances for fiscal 1984, even if expenditures in the local financial plan are sharply limited to a mere 0.9-percent increase on a general expenditure basis, excluding national debt service, a deficit of 1.51 trillion yen is still expected. To fill this gap, instead of resorting to the usual method of arranging an advance to the Local Allocation Tax Special Account from the Trust Fund Bureau fund, 304.9 billion yen will be raised by increasing the allocation tax and 1.2051 trillion yen will be raised through an increased issue of local construction bonds (so-called fiscal resources countermeasure bonds).

Meanwhile, due to the constraints placed on expenditures of an investment nature, the amount of the local bond plan is kept at 7.21 trillion yen, which is 331.1 billion yen (4.4 percent) less than in the previous year. Included therein is a fiscal resources countermeasure bond amounting to 1.2051 trillion yen (1.3246 trillion yen in fiscal 1983).

As for the funds to accommodate local bonds, in order to facilitate smooth local financial operations, an effort has been made to increase the share of government funds despite the severe fiscal resources picture; as a result, 3.5 trillion yen has been programmed, which is 400 billion yen (12.9 percent) more than in the previous year. In addition, 1.192 trillion yen (1.223 trillion yen in fiscal 1983) is earmarked for the same purpose out of the funds of the Finance Corporation of Local Public Enterprises. Thus, in the fiscal 1984 local bond plan, the combined share of the government funds and the funds of the Finance Corporation of Local Public Enterprises in the underwriting of local bonds is 65.1 percent, which represents as sharp increase of 7.8 percent over the 57.3 percent in fiscal 1983.

In the fiscal 1984 local bond plan, while the plan's total amount has decreased, in order to promote stable development of local communities, steps have been taken to ensure the issuance in sufficient amounts of those local bonds related to the comprehensive regional development program, the natural disaster prevention program and remote areas and the population drain countermeasure program. At the same time, priority attention has been paid to the improvement of such livelihood-related facilities as water supply and drainage, hospitals, and urban area rapid transit railways. Also, as before, for the fiscal-resources countermeasure bonds involving those local jurisdictions that are not necessarily strong in bond-flotation capacity, appropriate steps will be taken such as using government funds to accommodate the entire sum, as a general rule.

Table 9. Outline of Fiscal 1984 Local Bond Plan

第9表 59年度地方債計画の概要

(2) (3) (1) (単位：億円, %)

区分 (2)	項目 (3)		58年度 (4)	59年度 (5)
(6) 地方債計画	普通会計債 (7)		50,011	47,602
	通常分 (8)		36,765	35,551
	財対分 (9)		13,246	12,051
	その他会計債（通常分）(10)		25,400	24,498
	合計 Ⓐ (11)		75,411	72,100
	(12) 資金区分	政府資金 Ⓑ (13)	31,000	35,000
		公庫資金 Ⓒ (14)	12,230	11,920
		民間等資金 (15)	32,181	25,180
		市場公募 (16)	7,250	7,250
		共済 (17)	1,029	1,070
		縁故 (18)	23,902	16,860
	政府資金比率Ⓑ／Ⓐ (19)		41.1	48.5
	政府・公庫資金比率Ⓑ＋Ⓒ／Ⓐ (20)		57.3	65.1
(21) 地方財政対策	財源不足額 (22)		33,346	15,100
	交付税措置 (23)		20,100	3,049
	地方債措置 (24)		13,246	12,051

Key:

1. Units: 100 million yen, and percent
2. Category
3. Item
4. Fiscal 1983
5. Fiscal 1984
6. Local bond plan
7. Ordinary account bond
8. Regular portion
9. Financial measure portion
10. Other account bond (regular portion)
11. Total (A)
12. Classification of funds
13. Government funds (B)
14. Finance Corporation funds (C)
15. Private-sector funds
16. Public offerings on the market
17. Mutual aid
18. Private placement
19. Percentage of government funds (B)/(A)
20. Percentage of government and Finance Corporation funds (B) + (C)/(A)
21. Local financial measures
22. Fiscal resources shortage
23. Allocation tax measure
24. Local bond measure

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CSO: 4105/197

HITACHI, OKI ELECTRIC FINANCIAL STATEMENTS

Hitachi Ltd

Tokyo YUKA SHOKEN HOKOKUSHO SORAN in Japanese No 15-1, Aug 1983 pp 2-8

[Text] Hitachi Consolidated Financial Statement

Statement of Audit

Corporation: Hitachi Ltd

Chairman of the Board of Directors: Katsushige Mita

Audit Completion Date: 28 July 1983

Audit Office Address: Tokyo, Toshimaku, Higashiihebukuro, 1-chome 2828 ahan, 5-go

Audit Company Name: Muso Audit Corporation

Representative Partner:

Participating Firm Member: Yasumasa Fukase, CPA

Participating Firm Member: Takayoshi Saito, CPA

Audit Office Address: Tokyo, Minatoku, Akasaka, 7-chome, 1-han, 21-go

(Within the accounting offices of Peat, Marwick and Mitchell)

Audit Company Name: Irie CPA Office; Sadao Irie, CPA

Audit Office Address: Same as above

Audit Company Name: Akihiro Yamada, CPA

We, the above, in order to make an audit certification on the basis of Article 193:2 of the Securities and Exchange Law, conducted an audit of the consolidated financial statement, which follows, of Hitachi Ltd for the consolidated account-

ing year from 1 April 1982 to 31 March 1983. To be precise, we examined the consolidated balance sheet, the consolidated income statement, the consolidated surplus account statement, and the statement of changes in consolidated financial position.

In conducting this audit, we followed accounting standards generally accepted as fair and reasonable, and implemented accounting procedures that are common practice.

The results of the audit show that the accounting principles and procedures selected by this firm with respect to its consolidated financial statement conformed to the standards of corporate accounting that are generally accepted as fair and reasonable (see Note 1), and, with the exception of a change in the method of conversion of the financial statements of its overseas subsidiaries from the consolidated accounting year, were applied continuously according to the identical standards of the previous consolidated accounting year. Moreover, the method of displaying the consolidated financial statement conforms with what is prescribed in Supplementary Provision 3 of "Regulations Concerning The Terminology, Format and Drafting of the Consolidated Financial Statement" (Ministry of Finance Ordinance Number 28, 1976).

Therefore, we acknowledge that the aforementioned consolidated financial statement accurately reflects the financial condition of Hitachi Ltd and its consolidated subsidiaries as of 31 March 1983, and the management results of the consolidated account year which ended on that day.

There are no interests between the company and ourselves that must be put on record in accordance with the Certified Public Accountant Law.

Explanatory Notes

Note 1. Outline of Main Accounting Policies

(1) Consolidated Accounting Policies

This company drafted its consolidated accounting statements on the basis of accounting principles generally recognized in the United States (Opinions of the Accounting Principles Board, Standards of the Financial Accounting Standards Board, etc), and includes all the accounts of its chief subsidiaries. Moreover, investment in non-consolidated subsidiaries and related firms is evaluated by the equity method. Incidentally, segment information has not been written up.

The individual financial statements in this company's consolidated financial statement have been adjusted on the basis of accounting principles generally accepted in the United States. The following are the main adjustments.

(A) With regard to 1981, the price fluctuation reserve and the overseas investments loss reserve, which are recognized by the Special Taxation Measures Law, are reversed.

Consolidated Balance Sheet (Unit: One million yen)

Item	31 March 1982 Amount	31 March 1982 Percent of Total	31 March 1983 Amount	31 March 1983 Percent of Total
Assets				
Current Assets				
Cash and Deposits	512,383		437,513	
Negotiable Securities (Note 2)	362,069		406,322	
Notes Receivable (Notes 4, 5, 6)	246,071		250,271	
Accounts Receivable (Notes 5, 6)	625,953		646,332	
Inventory (Note 3)	824,120		854,616	
Other Current Assets (Note 8)	112,539		135,694	
Total Current Assets	2,683,135	68.3	2,730,748	65.6
Long-term Accounts Receivable and Fixed Assets	228,461	5.8	235,613	5.7
Investments and Loans Notes 2, 6)	295,798	7.5	316,258	7.6
Tangible Fixed Assets				
Land	80,715		87,079	
Buildings	347,067		402,378	
Machinery and Fixtures	1,025,067		1,232,777	
Construction in Progress	27,901		26,636	
Accumulated Depreciation	(819,238)		(939,387)	
Total Tangible Fixed Assets	661,512	16.9	809,483	19.5
Other Assets (Note 8)	57,029	1.5	67,120	1.6
Total Assets	3,925,935	100.0	4,159,222	100.0
Liability and Capital				
Current Liabilities				
Short-term Debt	611,288		610,909	
Redeemable Fixed Liabilities (Note 7)	97,579		65,017	
Notes Payable (Note 6)	196,607		207,063	
Accounts Payable (Note 6)	274,074		275,009	
Accrued Expenses	180,513		200,601	
Taxes Payable	116,269		118,815	
Advanced Received	393,385		411,375	
Employees' Savings Deposits	95,952		99,329	
Other Current Liabilities	93,027		114,698	
Total Current Liability	2,058,694	52.4	2,102,816	50.5
Fixed Liabilities (Note 7)	259,059	6.6	261,403	6.3
Retirement Allowances	211,128	5.4	233,705	5.6
Total Liabilities	2,528,881	64.4	2,597,924	62.4
Minority Interest	239,130	6.1	264,814	6.4
Capital				
Stock (Notes 9, 10)	138,170		140,111	
Capital Reserve	141,973		152,842	
Earned Legal Reserve	39,658		42,676	
Earned Surplus (Note 11)	838,682		964,986	
Exchange Conversion Adjustment	-		(4,054)	
Total	1,158,483		1,296,561	
Stock In Parent Firm Held By Subsidiaries (Note 12)	(559)		(77)	
Total Capital	1,157,924	29.5	1,296,484	31.2
Total Liabilities And Capital	3,925,935	100.0	4,159,222	100.0

Consolidated Income Statement (Unit: One million yen)

Item	31 March 1982 Amount	31 March 1982 Percent of Total	31 March 1983 Amount	31 March 1983 Percent of Total
Sales (Note 6)	3,684,439	100.0	3,943,667	100.0
Cost of Sales (Note 6)	2,685,628	72.9	2,880,393	73.0
Gross Margin	998,811	27.1	1,063,274	27.0
Selling And General Administrative Expenses	677,637	18.4	722,703	18.4
Operating Income	321,174	8.7	340,571	8.6
Non-operating Income				
Interest Earned	86,383		90,330	
Dividends Received	5,265		5,463	
Other Income (Note 6)	24,978		27,413	
Total Non-operating Income	116,626	3.2	123,206	3.2
Non-operating Expenses				
Interest Expenses And Discount Charges	88,400		83,866	
Casualty Losses (Note 6)	7,183		2,389	
Total Non-operating Expenses	95,583	2.6	86,255	2.2
Pretax Profit	342,217	9.3	377,522	9.6
Tax Appropriation (Note 8)	178,853	4.9	199,064	5.1
Profit Prior To Minority Interest Deduction	163,364	4.4	178,458	4.5
Minority Interest	26,272	0.7	27,919	0.7
Net Income For Year	137,092	3.7	150,539	3.8
Earnings Per Share				
Before Dilution	50.19 yen		53.40 yen	
Fully Diluted	49.62 yen		53.14 yen	

Consolidated Surplus Account Statement (Unit: One million yen)

Item	Earned Surplus	Capital Reserve	Earned Legal Reserve	Exchange Conversion Adjustment
Outstanding Balance As Of 31 March 1981	734,200	80,586	37,819	
Net Income For Year	137,092			
Dividends	(16,094)			
Reversal of Legal Earned Surplus	(2,167)		2,167	
Increase Caused By Public Stock Issue (Note 10)		26,226		
Transfer By Convertible Debenture Conversion	(1,623)	18,740	(109)	
Transfer By Stock Issue And Sale	(12,726)	16,421	(219)	
Outstanding Balance As Of 31 March 1982	838,682	141,973	39,658	
Effect At Beginning Of Period Caused By Change Of Foreign Currency Conversion Standard				(1,045)
Net Income For Year	150,539			
Dividends	(20,750)			
Reversal of Legal Earned Surplus	(3,053)		3,053	
Transfer By Convertible Debenture Conversion	(191)	9,533	(11)	
Transfer By Stock Issue And Sale	(241)	1,336	(24)	
Exchange Conversion Adjustment				(3,009)
Outstanding Balance As Of 31 March 1983	964,986	152,842	42,676	(4,054)

Statement of Changes In Consolidated Financial Position (Unit: 1 million yen)

Item	31 March 1982	31 March 1983
Sources of Capital		
Net Income for Year	137,092	150,539
Income Items Unrelated To Capital		
Depreciation Expense	139,466	167,502
Accrued Retirement Allowances	37,441	39,608
Deferred Taxes	(9,350)	(8,079)
Amended Investment Income By Equity Method	(17,188)	(16,918)
Minority Interest	26,272	27,919
Tangible Fixed Assets Disposable Income	(1,376)	(2,365)
Total Capital Obtained From Business Activities	312,357	358,206
Capital Increase By Parent Company Public Offering	28,726	–
Proceeds From Sale Of Tangible Fixed Assets	7,345	9,246
Debentures Issued	57,200	9,053
Subsidiaries' Capital Increase	32,774	804
Increase of Capital and Capital Reserve By Converting Convertible Debentures	16,419	10,854
Increase Of Fixed Liabilities	–	5,099
Miscellaneous	17,124	9,431
Total	471,945	402,693
Uses of Capital		
Acquisition of Tangible Fixed Assets	246,188	332,680
Dividends	16,094	20,750
Increase of Long-term Accounts Receivable and Fixed Capital	10,088	7,152
Increase of Investments and Loans	22,662	6,681
Reduction of Fixed Liabilities	5,916	–
Retirement Pay Disbursed	17,600	17,031
Conversion of Convertible Debentures	16,419	10,854
Exchange Conversion Adjustment	–	4,054
Total	334,967	399,202
Increase of Used Capital	136,978	3,491
Analysis of Changes of Used Capital Items		
Increased and Decrease of Current Assets		
Cash and Deposits and Securities	171,657	(30,617)
Notes Receivable and Accounts Receivable	128,060	24,579
Inventory Assets	99,456	30,496
Other Current Assets	(29,022)	23,155
Total	370,151	47,613
Increase and Decrease of Current Liabilities		
Short-term Loans and Redeemable Fixed Liabilities	55,435	(32,941)
Notes Payable and Accounts Payable	49,469	11,391
Accrued Expenses	22,776	20,088
Taxes Payable	33,620	2,546
Advance Received	62,545	17,990
Employees' Savings Deposits and Other Current Liabilities	9,328	25,048
Total	233,173	44,122
Increase of Used Capital	136,978	3,491

(B) The business tax, which is accounted for in the Operating Expenses Section is placed under Tax Appropriations.

(C) Bonus payments to company officers, which was under distribution of profit, is accounted for in Selling and General Administrative Expenses.

(D) Long-term foreign currency denominated debts and credits are converted according to the exchange rate on the settlement date.

(2) Conversions of the Financial Statements of Overseas Subsidiaries

This company applied Standard 52 of the United States Financial Accounting Standards Board from 1982 on. According to this standard, assets and liabilities of overseas subsidiaries are converted according to the exchange rate on the settlement date, and income and expense items are converted according to the average exchange rate during the period.

The gain or loss that occurs because of the conversion of the financial statements of these overseas subsidiaries is not included in the income statement, and is accounted for in the Exchange Conversion Adjustment line on the assets side of the balance sheet. However, the effect that the adoption of this accounting standard had on the net profit for 1982 was not major.

(3) Valuation Basis of Negotiable Securities

Marketable securities, which are accounted for in the securities and Investments and Loans accounts, are valued at the lower of cost or market.

(4) Valuation Basis of Inventory Assets

Inventory assets are valued at the lowest of cost or market. The cost of goods ordered is valued by the actual cost method; raw materials and other inventory assets are valued by the moving average method. Incidentally, items that are retained for over 1 year because a long manufacturing process is necessary have their profit accounted for at the time of final shipment, as a general rule.

(5) Representation of Tangible Fixed Assets and Method of Depreciation

Tangible fixed assets are designated by the acquisition cost. Depreciation of tangible fixed assets is determined by the declining balance method.

(6) Reserve for Retirement Allowances

The reserve of retirement allowances is based on retirement pay regulations, and is accounted for by the retirement pay regulations, and is accounted for by the retirement pay indemnity at the end of the accounting year.

(7) The amount of interest earned by Hitachi Credit (a stock corporation) was included in sales in the past, but in view of its nature, was accounted for in Non-operating Income (interest earned) as of 1982. Incidentally, the 1981 fiscal year was revised by the same standard.

(8) Earnings Per Share

Earnings per share are calculated by a sum of the average number of share of stock issues and the number of shares of common stock held in convertible securities. Earnings per share after full dilution is calculated as if all convertible debentures were converted at the beginning of the year.

Remarks		31 March 1982	31 March 1983
Note 2.	Negotiable Securities		
	The price of the securities according to the financial statement, their market value, and the difference are as follows.		
	Marketable Securities Account		
	Value in Financial Statement	14,982	14,978
	Market Value on Settlement Date	39,047	47,522
	Difference	24,065	32,544
	Investments and Loans Account		
	Value in Financial Statement	48,932	50,264
	Market Value on Settlement Date	184,023	212,553
	Difference	135,091	162,289
Note 3.	Inventory Assets		
	The breakdown of inventory assets as follows.		
	Manufactured Goods	177,912	178,170
	Goods in Process and Semifinished Goods	559,466	592,632
	Raw Materials	86,742	83,814
	Total	824,120	854,616
Note 4.	Notes Receivable Discount And Endorsed Amount of Notes Receivable	121,659	116,637
Note 5.	Bad Debt Allowance And Unearned Interest Deducted	34,227	28,101
Note 6.	Investments in Non-Consolidated Subsidiaries And Related Companies		
	The following are the chief financial figures concerning non-consolidated subsidiaries.		
	Liquid Assets	639,433	689,560
	Other Assets	240,744	296,265
	Total	880,177	985,825
	Current Liabilities	622,222	674,762
	Other Liabilities	135,943	162,133
	Net Assets	122,012	148,930
	Sales	1,877,775	2,049,455
	Net Income for Year	18,459	21,421
	The equity method profit of the non-consolidated subsidiaries and affiliated companies and the dividents received from non-consolidated subsidiaries and affiliated companies are as follows.		
	Equity Method Profit (accounted for as Other Income)	20,202	20,738
	Dividends Received Within the Above	3,014	3,820
	Incidentally, the sales credit, accounts payable, and status of business with respect to the non-consolidated subsidiaries and affiliated companies are as follows.		
	Sales Credit	101,427	105,845
	Accounts Payable	40,607	47,246
	Sales	684,340	694,545
	Amount of Goods Purchased	480,241	555,773

Note 7. Fixed Liabilities		
Secured Debentures		
9th Series, Redeemable 1982-1984, 9.5% interest	3,200	2,750
10th Series, Redeemable 1982-1986, 8.8% Interest	7,300	6,400
Consolidated Subsidiary Issued Debenture, Redeemable 1982-1988, 5.3-9.1% Interest	14,314	14,769
Unsecured Debentures		
Consolidated Subsidiary Issued Unsecured Debenture, Redeemable 1987, 5.62% Interest	-	5,804
Unsecured Convertible Debentures		
2d Convertible Debenture Public Domestic Series, Redeemable 1983, 5.4% Interest	11,703	-
2d Dollar Denominated Convertible Debenture Public Series, Redeemable 1984, 6.25% Interest	313	-
3d Dollar Denominated Convertible Debenture Public Series, Redeemable 1996, 5.77% Interest	21,180	23,749
Consolidated Subsidiary Issued Convertible Debentures, Redeemable 1983-1997, 3.25-5.2% Interest	24,867	23,012
Loans		
Secured, Repayment Date 1982-2012, 5.0-9.9% Interest	32,778	27,418
Unsecured, Repayment Date 1982-2018, 5.25-17.06% Interest	240,983	222,518
Redeemed Portion of Above	(97,579)	(65,017)
Total	259,059	261,403
Anticipated Repayment of Fixed Liabilities		
Between 1 and 2 Years	60,503	44,390
Between 2 and 3 Years	35,629	56,638
Between 3 and 4 Years	28,591	29,250
Between 4 and 5 Years	39,418	44,944
Over 5 Years	94,918	86,181
Total	259,059	261,403

In the secured debentures, the company's mortgage rights were set down on the basis of the Mortgage of Stock Companies' Property Act.

The 2d Convertible Debenture Public Series was either redeemed or converted by 31 January 1983.

The 3d Convertible Debenture Dollar Denominated Public Series can be redeemed with a premium attached of 4.3 to 0.5 percent from 31 March 1984 to 30 March 1993, and can be redeemed at face value after that. Moreover, on every 31 March from 31 March 1989 to 30 March 1995, 12.5 percent of the unredeemed balance as of 31 January 1989 will be redeemed. However, after 1 February 1989, the company can deduct the amount converted or optionally redeemed. This convertible debenture can convert to 43,149,000 shares of stock at the end of this current period.

The following limitation on dividends are attached to this convertible debenture:

"The company will not pay out dividends so as to cause the aggregate dividends following the settlement year, which belong to the payment date of this debenture, to exceed the addition of 30 billion yen and either an increased public offering or an issue of convertible debenture to the accumulated consolidated net profit after the settlement year in question."

Note 8. Taxes		
A periodic allocation of taxes has been carried out, but deferred taxes are listed in the following items in the financial statements.		
Other Current Assets Other Assets	42,010	59,713
A breakdown of the Tax Appropriation item in the income statement is as follows.		
Present Year Portion	201,965	223,404
Deferred Portion	(23,112)	(24,240)
Total	178,853	199,064
Note 9.		
Total Company Shares Issue	10 billion shares	10 billion shares
Total Shares Issued	2,763,403,661	2,802,221,295
Shares Issued By Conversion of Convertible Debentures This Period	41,954,269	38,817,634

Note 10. Public Offerings Of Capital

On 31 March 1982, the company publicly issued 50 million shares of common stock in the United States at the price of $2.45 per share.

Note 11. Treatment Of Income Distribution Item

The income distribution item, with the exception of bonus payments to corporate officers, was drafted according the income disposition, which was confirmed during the consolidated accounting year.

Note 12. Total Of Parent Company Stock Held By Subsidiaries	3,616,900 shares	500,000 shares
Note 13. Major Contracts And Incidental Debt		
Outstanding Orders For Plant and Equipment	41,954	29,456
Outstanding Loan Suretyship Obligations To Customers Of Hitachi Credit	203,540	207,753
Outstanding Suretyship Obligations Other Than The Above	132,409	119,392

Note 14. A number of lawsuits have been raised against this company and its subsidiaries. The managers of this company believe that this will not have a major impact on the consolidated financial statement, even if debt occurs because of these lawsuits.

Note 15. Supplementary Explanation Of Income And Expenses		
Research and Development Costs	159,828	188,601
Retirement Pay and Pension Liability	50,957	52,815
Borrowing Charges	33,937	40,460
Foreign Exchange Gain or Loss (Accounted for in Nonoperating Income)	1,174 (loss)	1,470 (gain)

Oki Electric Industry Co, Ltd

Tokyo YUKA SHOKEN HOKOKUSHO SORAN in Japanese No 15-15, Aug 1983 pp 2-11

[Text] Oki Electric Consolidated Financial Statement

Statement of Audit

Corporation: Oki Electric Industry Co, Ltd

Chairman of the Board of Directors: Nankai Hashimoto

Audit Completion Date: 25 July 1983

Audit Office Address: Tokyo, Dhuoku, Nihonbashi, 1-chome, 13-Ban, 1-go

Audit Company Name: Office of Tetsuzo Ota, Auditor

Representative Partner

Participating Firm Member: Matsukura, CPA

Participating Firm Member: (Matsukuni) Azuma, CPA

This auditor, in order to make an audit certification on the basis of Article 193:2 of the Securities and Exchange Law, conducted an audit of the consolidated financial statement, which follows, of Oki Electric Industry Co, Ltd for the consolidated accounting year from 1 April 1982 to 31 March 1983. To be precise, I examined the consolidated balance sheet, the consolidated income statement, and the combined surplus account statement.

In conducting this audit, I followed accounting standards generally accepted as fair and reasonable, and implemented accounting procedures that are common practice.

The results of this audit show that the accounting principles and procedures selected by this firm with respect to its consolidated financial statement conformed to the standards of corporate accounting that are generally accepted as fair and reasonable, and were applied continuously according to the identical standards of the previous consolidated accounting year. Moreover, the method of displaying the consolidated financial statement conforms with what is prescribed in "Regulations Concerning The Terminology, Format and Drafting Of Consolidated Financial Statements (Ministry of Finance Ordinance No 28, 1976)."

Therefore, I acknowledge that the aforementioned consolidated financial statement accurately reflects the financial condition of Oki Electric Industry Co, Ltd as of 31 March 1983, and the management results of the consolidated accounting year which ended on that day.

There are no interests between the company and myself that must be put on record in accordance with the Certified Public Accountant Law.

Consolidated Balance Sheet (Unit: 1 million yen)

Item	31 March 1982 Amount	31 March 1982 Percent of Total	31 March 1983 Amount	31 March 1983 Percent of Total
Assets				
I. Current Assets				
1. Cash and Deposits	28,933		38,068	
2. Notes Receivable and Accounts Receivable *1 *2	53,200		61,061	
3. Notes Receivable and Accounts Receivable of Non-consolidated subsidiaries and Affiliated Companies *1 *2	3,082		5,115	
4. Negotiable Securities *2	5,234		16,369	
5. Inventory Assets	61,763		67,456	
6. Short-term Credits of Non-consolidated Subsidiaries and Affiliated Companies	4,746		2,867	
7. Other Current Assets	6,333		5,446	
8. Bad Debt Allowance	(997)		(925)	
Total Current Assets	162,294	66.7	195,459	69.4
II. Fixed Assets				
(1) Tangible Fixed Assets				
1. Buildings and Structures	35,481		41,123	
2. Machinery and Equipment	40,383		47,193	
3. Tools, Furniture, Fixtures	34,936		39,283	
4. Land	4,288		3,883	
5. Construction in Progress	5,447		378	
6. Other Tangible Fixed Assets	661		719	
7. Depreciation Allowance	(65,070)		(72,377)	
Total Tangible Fixed Assets *2	56,126	23.1	60,205	21.4
(2) Intangible Fixed Assets	199	0.1	199	0.1
(3) Investments and Other Assets				
1. Investments in Negotiable Securities *2	9,045		9,385	
2. Shares of Non-consolidated dated Subsidiaries and Affiliated Companies *2	5,931		3,632	
3. Investment in Non-consolidated Subsidiaries and Affiliated Companies	47		46	
4. Long-term Loans to Non-consolidated Subsidiaries and Affiliated Companies	3,580		5,223	
5. Other Investments and Other Assets	6,208		7,730	
6. Bad Debt Allowance	(897)		(901)	
Total Investments and Other Assets	23,914	9.8	25,118	8.9
Total Fixed Assets	80,239	33.0	85,524	30.4
III. Deferred Assets	665	0.3	551	0.2
Total Assets	243,198	100.0	281,534	100.0

Item	31 March 1982		31 March 1983	
	Amount	Percent of Total	Amount	Percent of Total
(Liability Side)				
I. Current Liabilities				
1. Notes Payable and Accounts Payable	35,097		35,714	
2. Notes Payable and Accounts Payable of Nonconsolidated Subsidiaries and Affiliated Companies	4,648		5,227	
3. Short-term Debt	69,425		77,644	
4. Accrued Expenses	3,964		4,486	
5. Accrued Expenses of Non-consolidated Subsidiaries and Affiliated Companies	421		504	
6. Advance Received	7,407		6,444	
7. Corporate Tax Allowance	474		3,786	
8. Business Tax Allowance	139		837	
9. Employees' Bonus Allowance	6,614		7,408	
10. Reserve For Compensation For Completed Works	7		4	
11. Special Account for Advanced Depreciation of Fixed Assets	-		2,568	
12. Other Current Liabilities	15,100		21,207	
Total Current Liabilities	143,296	58.9	165,834	58.9
II. Fixed Liabilities				
1. Debentures and Convertible Debentures	25,634		33,743	
2. Long-term Debt	25,903		28,606	
3. Retirement Allowance	9,009		10,103	
4. Computer Repurchase Loss Reserve	1,106		701	
5. Exhibition Allowance For International Science and Technology Exhibition	-		13	
6. Other Fixed Liabilities	1,018		449	
Total Fixed Liabilities	62,670	25.6	73,617	26.1
III. Special Reserve				
1. Reserve for Price Fluctuation	475		-	
2. Reserve for Overseas Investment Losses	146			
	621	0.3		
IV. Exchange Conversion Adjustment	813	0.3	765	0.3
V. Minority Interest	479	0.2	623	0.2
Total Liabilities	207,879	85.5	240,841	85.5
(Capital Side)				
I. Capital	17,659	7.3	20,249	7.2
II. Capital Reserve	7,192	2.9	10,537	3.7
III. Earned Legal Reserve	2,483	1.0	2,669	1.0
IV. Other Surplus Funds	7,985	3.3	7,239	2.6
V. Treasury Stock	-		(3)	
Total Capital	35,319	14.5	40,693	14.5
Total Liabilities and Capital	243,198	100.0	281,534	100.0

Consolidated Income Statement And Combined Surplus Account Statement (Unit: 1 million yen)

Item	31 March 1982 Amounts		31 March 1982 % of Sales	31 March 1983 Amounts		31 March 1983 % of Sales
I. Sales		242,839	100.0		279,656	100.0
II. Cost of Sales		177,294	73.0		203,937	72.9
Gross Margin		65,545	27.0		75,718	27.1
III. Selling Expenses and General Administrative Expenses *3		47,859	19.7		59,894	21.4
Operating Income		17,686	7.3		15,823	5.7
IV. Nonoperating Income						
1. Interest Earned	2,646			2,619		
2. Interest Earned from Nonconsolidated Subsidiaries	601			225		
3. Dividents Received	547			540		
4. Exchange Gain or Loss	579			489		
5. Other Income	1,447	5,820	2.4	2,102	5,977	2.1
V. Nonoperating Expenses						
1. Interest Expenses and Discount Charges	9,321			9,152		
2. Debenture Interest	1,814			1,988		
3. Miscellaneous Expensitures	3,320	14,455	6.0	3,014	14,155	5.1
Recurring Profit		9,051	3.7		7,646	2.7
VI. Special Profit						
1. Fixed Asset Disposal	5,340			5,702		
2. Sale of Invested Securities	23	5,363	2.2	24		
3. Insurance Gain or Loss	-			1,166		
4. Miscellaneous	-			53	6,946	2.5
VII. Special Losses						
1. Fixed Asset Disposal	263			532		
2. Fixed Asset Advanced Depreciation Deduction	5,336			6,672		
3. Bad Debt Loss of Nonconsolidated Subsidiary Credits	2,619			-		
4. Miscellaneous	80	8,298	3.4	146	7,351	2.6
Pretax Net Profit for Period		6,116	2.5		7,242	2.6
VIII. Special Reserves and Reversals						
1. Provision for Reserve for Price Fluctuation	74			-		
2. Reversal of Price Fluctuation	-			475		
3. Reserve and Reversal for Overseas Losses	19			25	500	0.2
4. Reserve and Reversal for Overseas Market Development	3	96	0.1			
Pretax Profit for Year		6,212	2.6		7,742	2.8
Corporation Tax and Residential Tax		2,347	1.0		5,078	1.8
Minority Shareholder Gain or Loss		(154)	0.1		(150)	0.1
Profit for Year		3,711	1.5		2,512	0.9

Item	31 March 1982			31 March 1983		
	Amount		% of Sales	Amount		% of Sales
IX. Other Surplus Outstanding At Beginning of Year		8,633			7,985	
X. Other Surplus Increases						
1. Increase Following Reduction of Consolidated Subsidiaries	2,093	2,093		120	120	
XI. Other Surplus Losses						
1. Reversal of Legal Earned Surplus	269			187		
2. Dividends	2,634			1,863		
3. Bonus Pay to Officers	81			72		
4. Reduction Following Increase of Consolidated Subsidiaries	2,744	5,728		1,315	3,439	
XII. Exchange Conversion Adjustment		(724)			59	
XIII. Other Surplus Outstanding at End of Year		7,985			7,239	

Explanatory Notes

1. Items With Respect To Consolidated Accounting Policies

(1) Scope Of Consolidation

(A) 1 April 1981-31 March 1982 (hereafter called (A))

Out of 35 subsidiaries, 11 fall within the scope of consolidation. The other 24 are not included within the scope of consolidation. The other 24 are not included within the scope of consolidation because in terms of gross assets and sales, they are all quite small and unimportant.

Furthermore, because of the establishment of a new subsidiary and an increase in the comparative importance of a subsidiary, Oki made Oki Electric Overseas Corporation and another firm subject to consolidation this year. Oki Overseas Electronics was excluded from consolidation because it became a liquidated company.

Moreover, the total gross assets and sales of the nonconsolidated subsidiaries is less than 10 percent of the consolidated gross assets and sales.

(B) 1 April 1982-31 March 1983 (hereafter called (B))

Out of 38 subsidiaries, 12 fall within the scope of consolidation. The other 26 are not included within the scope of consolidation because in terms of gross assets and sales, they are all quite small and unimportant.

Moreover, the total gross assets and sales of the nonconsolidated subsidiaries is less than 10 percent of the consolidated gross assets and sales.

(2) Application of the Equity Method

(A) In accordance with Supplementary Provision 2 of "Regulations Concerning The Terminology, Format And Drafting Of Consolidated Financial Statements" (Ministry of Finance Ordinance Number 28, 1976), investments in the 24 nonconsolidated subsidiaries and the 26 affiliated companies have been valued by the actual cost method, and the equity method has not been applied. There are eight major nonconsolidated subsidiaries, including Warabi Special Steel (Inc), and three major affiliated companies, including Oki Cable.

(B) In accordance with Supplementary Provision 2 of "Regulations Concerning The Terminology, Format And Drafting Of Consolidated Financial Statements" (Ministry of Finance Ordinance No 28, 1976), investments in the 26 nonconsolidated subsidiaries and the 28 affiliated companies have been valued by the actual cost method, and the equity method has not been applied. There are eight major noncondolidated subsidiaries, including Miyazaki Oki Electric (Inc), and three major affiliated companies, including Oki Cable.

(3) Business Fiscal Year of Consolidated Subsidiaries

(A) All of the consolidated subsidiaries have the same business fiscal year as the parent company.

(B) All of the consolidated subsidiaries have the same business fiscal year as the parent company.

(4) Accounting Standards

(A) (i) Valuation Basis of Major Assets

(a) Negotiable Securities (including Investments in Negotiable Securities)

These are valued at cost on the basis of the moving average method.

(b) Investment Assets

These are valued mainly at cost on the basis of the actual cost method.

(ii) Methods of Depreciation of Major Depreciating Assets

(a) Tangible fixed assets are depreciated by the declining balance method.

(b) Intangible fixed assets are depreciated by the straight line method.

(iii) Accounting Standards for Major Liability Allowances

(a) The employee bonus allowance is treated on the basis of the standard for the year subject to the allowance, which is prescribed in the Corporation Tax Law.

(b) The retirement pay allowance is treated on the basis of Article 55 of the Corporation Tax Law (standard for limitations on accumulations).

(c) The business tax allowance is determined by the anticipated payment, which is based on the provisions of the Local Taxes Act.

(d) The computer purchase loss reserve is calculated from the anticipated amount to be lost from the purchase of computers.

(iv) Standard for Conversion of Japanese Currency of Major Foreign-Currency Denominated Assets or Liabilities

Foreign Currency-Denominated Assets and Liabilities are handled in accordance with the accounting standard for foreign currency denominated transactions. Short-term cash credits and debts are converted at the foreign exchange market rate at the settlement date. Long-term cash credits and debts are converted at the foreign exchange market rate on the date of acquisition or the date incurred.

(B) (i) Valuation Basis and Valuation Method of Major Assets

(a) Negotiable Securities (including Investments in Negotiable Securities)

These are valued at cost on the basis of the moving average method.

(b) Inventory Assets are valued mainly at cost on the basis of the actual cost method.

(ii) Methods of Depreciation of Major Depreciating Assets

(a) Tangible fixed assets are depreciated by the straight line method.

(b) Intangible fixed assets are depreciated by the straight line method.

(iii) Accounting Standards for Major Allowances

(a) The bad debt allowance is determined by the legal limitation (legal provisional rate) based on the Corporation Tax Law, and the anticipated bad debt loss to be incurred.

(b) The employee bonus allowance is treated on the basis of the standard prescribed for the period subject to the allowance, which is prescribed in the Corporation Tax Law.

(c) The business tax allowance is determined by anticipated payments on the basis of the provisions of the Local Taxes Act.

(d) The retirement pay allowance is handled on the basis of Article 55 of the Corporation Tax Law (standard for limitation on accumulation).

(e) The computer purchase loss reserve is calculated from the anticipated amount to be lost from the purchase of computers.

(f) The Corporation Tax Allowance is the estimated payment for the Corporation Tax.

(iv) Adjusted Pension and Suitable Retirement Pension

This company has adopted an adjusted annuity system separate from the retirement pay system. Pension assets as of 31 March 1982 totaled 14,738,000,000 yen. Out of this figure, 7,153,000 yen is a policy reserve prescribed in Article 85:2 of the Welfare Pension Insurance Act.

Moreover, two of the consolidated companies have adopted a suitable retirement pension system, and their pension assets of 1983 totaled 396,000,000 yen.

(5) Offsetting Elimination of the Investment Account and the Capital Account

(A) The offsetting elimination of the parent company investment account and the subsidiary capital account is done according to a progressive method. The

eliminated differential that arises as a result of offsetting elimination makes up the consolidated adjustment account. The consolidated adjustment account is treated as a very temporary gain or loss in the year it occurs.

(B) The offsetting elimination of the parent company investment account and the subsidiary capital account is done according to a progressive method. The eliminated differential that arises as a result of offsetting elimination makes up the consolidated adjustment account. The consolidated adjustment account is treated as a very temporary gain or loss in the year it occurs.

(6) Elimination of Unrealized Profits or Losses

(A) Unrealized profit or loss included in assets acquired from consolidated subsidiaries that have minority shareholders is completely eliminated. The portion corresponding to minority shareholder equity is made liable as minority shareholder equity.

The elimination of unrealized profit or loss included in a depreciating asset, as a general rule, is carried out by a revision of the depreciation expense.

(B) Unrealized profit or loss included in assets acquired from consolidated subsidiaries that have minority shareholder is completely eliminated. The portion corresponding to minority shareholder equity is made liable as minority shareholder equity.

The elimination of unrealized profit or loss included in a depreciating asset, as a general rule, is carried out by a revision of the depreciation expense.

(7) Conversion of the financial statement item of overseas consolidated subsidiaries

(A) The conversion into yen of the financial statement item on overseas consolidated subsidiaries is done according to the settlement date rate method.

(B) The conversion into yen of the financial statement item on overseas consolidated subsidiaries is done according to the settlement date rate method.

(8) Treatment of Net Profit Distribution Item

(A) The method for treating net profit distribution is done in accordance with the method for carrying out a consolidated settlement based on the profit distribution confirmed in the consolidated accounting year. The earned legal reserve of the consolidated subsidiaries is treated as other surplus from the standpoint of consolidation. Moreover, an increase in equity of the parent corporation because of capital in excess of par value, which occurs when capital increases in a consolidated subsidiary by the allocation of shares to a third party, is included in Other Reserves.

(B) The method for treating net profit distribution is done in accordance with the method for carrying out a consolidated settlement based on the profit distribution confirmed in the consolidated accounting year. The earned legal re-

serve of the consolidated subsidiaries is treated as Other Surplus from the standpoint of consolidation. Moreover, an increase in equity of the parent corporation because of capital in excess of par value, which occurs when capital increases in a consolidated subsidiary by the allocation of shares to a third party, is included in Other Reserves.

(9) Treatment of Periodic Appropriation of the Corporate Taxes

(A) Tax benefit accounting (treatment of periodic appropriation of corporate taxes) is not applied.

(B) Tax benefit accounting (treatment of periodic appropriation of corporate taxes) is not applied.

2. Change of Scope of Consolidation

(A) None

(B) Because of the increase of the relative importance of the subsidiary, the Okidata Corporation comes under the scope of consolidation from this year on.

3. Explanatory Notes

(A) (1) *1

Discounted Notes Receivable	2,826,000,000 yen
Endorsed Amount of Notes Receivable	170,000,000 yen

(2) Suretyship 33,833,000,000 yen

(3) Among the assets of *2, the following are presented in the guarantees of long-term debt and debentures.

Notes Receivable	47,000,000 yen
Negotiable Securities	5,146,000,000 yen

(Including investments in negotiable securities and shares in affiliated companies)

Tangible Fixed Assets	22,745,000,000 yen

(B) (1) *1

Discounted Notes Receivable	2,611,000,000 yen
Endorsed Amount of Notes Receivable	81,000,000 yen

(2) Suretyship 34,990,000,000 yen

(3) Among the assets of *2, the following are presented in the guarantees of long-term debt and debentures.

Notes Receivable	40,000,000 yen
Negotiable Securities	5,332,000,000 yen

(Including investments in negotiable securities and shares in affiliated companies.)

(4) The overseas investments loss reserve, which was accounted for in the liability section of the previous period's consolidated balance sheet (special allowance) was disposed of at the end of that period according to the provisions of the Special Tax Measures Act. The remainder of 120 million yen was transferred to other surplus in the capital side, on the basis of the provisions in Supplementary Provision 4 of the "Ministry Ordinance Revising A Portion of the Regulations Concerning the Terminology, Format and Drafting of the Consolidated Financial Statement" (Ministry of Finance Ordinance No 47, 1982).

(Consolidated Income and Combined Surplus Account Statements)

(A) *3 A rough proportion of selling expenses and general administrative expenses is 60 percent for selling expenses and 40 percent for general administrative expenses. The main itemized items are as follows.

Salaries and Wages	18,174,000,000 yen
Provision for Accrued Retirement Allowances	712,000,000 yen
Marginal Provision for Employee Bonuses	204,000,000 yen
Depreciation Expense	1,288,000,000 yen
Technology Research Expense	9,319,000,000 yen
Provision for Business Tax Allowance	684,000,000 yen
Construction Cost Transfer	(11,512,000,000) yen

(B) *3 A rough proportion of selling expenses and general administrative expenses is 60 percent for selling expenses and 40 percent for general administrative expenses. The main itemized items are as follows.

Salaries and Wages	20,653,000,000 yen
Provision for Accrued Retirement Allowances	854,000,000 yen
Marginal Provision for Employee Bonuses	259,000,000 yen
Depreciation Expense	1,530,000,000 yen
Technology Research Expense	11,498,000,000 yen
Provision for Allowance for Exhibition at International Science and Technology Exhibition	13,000,000 yen
Provision for Business Tax Allowance	1,294,000,000 yen
Construction Cost Transfer	(11,940,000,000) yen

(Miscellaneous)

(A) (1) This company adopted an adjusted pension system separate from the retirement pay system, and the total amount of pension assets as of 31 March 1981 was 12.5 billion yen. Out of this figure, 6,073,000,000 yen is a policy reserve prescribed in Article 85:2 of the Welfare Pension Insurance Act.

Furthermore, two of the consolidated companies have adopted a suitable retirement annuity system, and their pension assets of 1982 totaled 366 million yen.

(2) Below is the conversion of foreign currency denominated long-term cash credits and debts at the exchange rate at the date of settlement.

	Credit	Debt
Foreign Currency Amount	$20,275,000 U.S.	–
Balance Sheet Figure	4,654,000,000 yen	
Amount in Yen When Converted According to Exchange Rate at Settlement Date	4,979,000,000 yen	–
Loss	(325,000,000) yen	

(B) None

(Per Share Information)

(A) None

(B) Net Assets Per Share 100.48 yen
Earnings Per Share 6.20 yen

(Note: Earnings per share is calculated according to the number of shares issued by the end of the year, because there were shares converted from convertible debentures.

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